Disciplinary and Other FINRA Actions

Firm Expelled, Individuals Sanctioned

Basis Financial, LLC (CRD #43694, North Miami Beach, Florida), Armen Karapetyan aka Armen Karr (CRD #2634993, Registered Principal, Sunny Isles Beach, Florida) and Gabriel Gennady Goldfine (CRD #1971502, Registered Representative, Brooklyn, New York) submitted an Offer of Settlement in which the firm was expelled from FINRA membership, Karapetyan was barred from association with any FINRA member in any capacity, and Goldfine was fined $37,500 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Goldfine's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, the firm, Karapetyan and Goldfine consented to the described sanctions and to the entry of findings that they made a series of material misrepresentations and omissions, and engaged in other misconduct in connection with the sale of private placement offerings to investors. The findings stated that the firm, Karapetyan and Goldfine received substantial undisclosed compensation and failed to disclose other material facts, including that the issuers had substantial outstanding debts to be paid from proceeds raised in offerings, the proceeds were to be used to make unsecured loans to other entities Karapetyan owned and controlled, or the issuers' financial condition was tenuous. The findings also stated that the firm and Karapetyan failed to conduct a reasonable investigation prior to recommending an investment to customers despite "red flags," including the failure of an issuer to provide audited financial information. The findings also included that the firm and Karapetyan participated in the sale of unregistered securities, and despite red flags, failed to undertake any investigation to determine the circumstances under which entities obtained shares of stock, including when they were obtained, how the shares were obtained and whether the shares were paid for.

FINRA found that the firm and Karapetyan failed to establish and implement anti-money laundering (AML) policies and procedures reasonably expected to detect and cause the reporting of suspicious activity, failed to conduct an AML test one year, failed to conduct an independent test the previous year, and failed to conduct annual AML training one year. FINRA also found that the firm failed to identify Karapetyan as a producing manager generating more than 20 percent of the firm's revenue as subject to heightened supervision, and failed to designate any firm individual as responsible for his supervision. As a result, Karapetyan reviewed his own trades, and his customer account

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FINRA has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

activity was not supervised by any other firm individual. In addition, FINRA determined that Karapetyan used outside, Web-based email accounts for firm business, and the firm neither stored nor backed up any emails from these accounts. Thus, the firm willfully violated the Securities and Exchange Commission (SEC) requirement to capture and preserve business email communications sent through personal, Web-based email accounts. Moreover, FINRA found that the firm and Karapetyan failed to report, and failed to timely report, customer complaints to FINRA as required, failed to establish and maintain a supervisory system, and failed to establish, maintain and enforce written supervisory procedures (WSPs) reasonably designed to achieve compliance with applicable laws, rules and regulations with respect to the firm's business regarding the handling of deposits and liquidations of large blocks of low-priced securities to ensure the firm did not participate in or permit an unregistered distribution of securities and with respect to the reporting of customer complaints to ensure the capture and preservation of personal Web-based email accounts, the firm's private placement business and the supervision of registered representatives who participated in the sale of private placement offerings the firm sold.

Goldfine's suspension is in effect from October 15, 2012, through October 14, 2013. (**FINRA Case #2009016158001**)

Firms Fined, Individuals Sanctioned

Mercator Associates, LLC (CRD #112903, Toronto, Canada) and Fabrizio David Lentini (CRD #2392695, Registered Principal, Toronto, Canada) submitted an Offer of Settlement in which the firm was censured and fined $150,000. FINRA imposed a lower fine after it considered, among other things, the firm's revenues and financial resources. Lentini was fined $75,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the allegations, the firm and Lentini consented to the described sanctions and to the entry of findings that the firm, acting through Lentini, its Head Trader, improperly shared transaction-based commissions totaling approximately $4,277,740 with entities that were not FINRA member firms. The findings stated that the firm, acting through Lentini, sent a series of wire transfers to the bank accounts of non-FINRA entities. The wire transfers were initiated when Lentini received a Letter of Authorization (LOA) with wire instructions and amounts from the firm's main customer. Lentini would then take steps to ensure that the requested funds were wired from the firm's bank account according to the instructions reflected on the LOAs. The wired funds were generated from trading in some or all of the firm accounts in the names of the non-FINRA entities. Lentini was the firm registered representative assigned to each of those accounts. The findings also stated that the firm, acting through Lentini, charged excessive commissions from 5.02 percent to 31.25 percent on trades placed in accounts. Lentini was the firm registered representative assigned to those accounts and the firm trader responsible for the execution of the subject transactions. Each of the subject trades was part of the commission-sharing arrangement. The findings also included that the

firm failed to establish and maintain a supervisory system and establish, maintain and enforce WSPs reasonably designed to achieve compliance with applicable securities laws and regulations. The firm's supervisory system and WSPs were deficient in that they failed entirely to address the commission-sharing arrangement and provide guidance or structure regarding the supervision of securities pricing and commissions.

FINRA found that the firm failed to implement portions of its AML Compliance Program (AMLCP). The firm failed to obtain the identifying information its Customer Identification Program (CIP) required about some of the customers that opened accounts with the firm, and to verify that information through documentary or non-documentary methods. The firm failed to maintain transmittal orders for wire transfers in excess of $3,000, including the name, address and account number of the recipient, and the identity of the recipient's financial institution. The firm also failed to provide any AML training to its personnel for two years.

The suspension is in effect from October 15, 2012, through December 14, 2012. (**FINRA Case #2009016323802**)

Wedbush Securities Inc. (CRD #877, Los Angeles, California), Richard Anthony Lanni (CRD #302249, Registered Principal, Newport Beach, California), and Ronald Edward Vogel (CRD #455321, Registered Principal, Irvine, California) submitted an Offer of Settlement in which the firm was censured and fined $375,000. Lanni was fined $10,000, jointly and severally, with the firm and suspended from association with any FINRA member in any principal capacity for 60 days. Vogel was fined $5,000, jointly and severally, with the firm and suspended from association with any FINRA member in any principal capacity for one month. Without admitting or denying the allegations, the firm, Lanni and Vogel consented to the described sanctions and to the entry of findings that the firm, acting in part through Lanni, failed to establish and maintain a supervisory system reasonably designed to achieve the firm's compliance with applicable laws, rules and regulations with respect to the variable annuity (VA) business the firm and some registered representatives transacted. The findings stated that the firm, acting through Lanni, in part, and through other principals, failed to establish, maintain and enforce WSPs reasonably designed to achieve compliance with applicable laws, rules and regulations concerning VAs and general sales practices. The findings also stated that the firm, acting through Lanni, Vogel and another principal, failed to supervise the registered representatives in a manner reasonably designed to achieve compliance with applicable laws, rules and regulations concerning VAs, and to detect the registered representatives' misconduct. The findings also included that Vogel and another principal failed to thoroughly review transactions, and approved transactions that were unsuitable and did not comply with the firm's written supervisory and compliance procedures; and that the other principal, Lanni and/or Vogel failed to adequately investigate red flags. Lanni and Vogel were responsible for and did conduct periodic office inspections of the branch office, and the firm's compliance department conducted an inspection annually but the inspections failed to detect that the registered

representatives destroyed transaction documents that reflected unapproved and/or unauthorized VA withdrawal requests to insurance companies and failed to retain and review the related correspondence. The findings further included that the firm also failed to adequately review the representatives' email correspondence.

FINRA found that the firm, acting through a principal, failed to conduct an adequate pre-hire investigation, in that the firm had sufficient information at the time the registered representatives applied to and were hired by the firm to indicate reasonably that they had a history of customer complaints, including pending customer complaints, and that they made material misrepresentations concerning the pending customer complaints to the firm, including on initial and amended Uniform Applications for Securities Industry Registration or Transfer (Forms U4), involving the sale of VAs. The firm, acting through the principal, failed to make reasonable inquiry to resolve the inconsistencies in the representatives' representations to the firm concerning customer complaints, the amended Uniform Termination Notice for Securities Industry Registration (Form U5) their former firm filed, and the regulatory determinations of certain states not to allow them to register. FINRA also found that the firm failed to maintain adequate books and records, as they were deficient in areas pertaining to VAs, and that it failed to maintain correspondence and transaction documents. FINRA further found that the firm failed to establish, maintain and enforce WSPs concerning new account procedures, verification of customer signatures and changes of customer addresses.

Lanni's suspension is in effect from October 1, 2012, through November 29, 2012. Vogel's suspension was in effect from October 1, 2012, through October 31, 2012. (**FINRA Case #2008012738002**)

Firms Fined

BMO Capital Markets Corp. (CRD #16686, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $90,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that for 11 months, it submitted short interest position reports to FINRA that were incorrect, and failed to report its short interest in positions totaling over 72 million shares to FINRA. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning short interest reporting. (**FINRA Case #2008013785401**)

Cantor Fitzgerald & Co. (CRD #134, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $53,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct trade execution time for transactions in Trade Reporting and Compliance Engine (TRACE)-eligible securities to TRACE, and also failed to

report these same transactions to TRACE within 15 minutes of the execution time. The findings stated that the firm failed to show the correct execution time on brokerage order memoranda. The findings also stated that the firm failed to accept or decline transactions in reportable securities in the FINRA/NASDAQ Trade Reporting Facility (FNTRF) within 20 minutes after execution. The findings also included that the firm executed numerous short sale orders and failed to properly mark the orders as short and in two instances, the firm failed to properly mark a sell order as long. FINRA found that the firm, on numerous occasions, accepted short sale orders in an equity security from another person, or effected a short sale in an equity security for its own account, without borrowing the security or entering into a *bona fide* arrangement to borrow the security, or having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due, and documenting compliance with SEC Rule 203(b)(1) of Regulation SHO. FINRA also found that the firm failed to report to the FNTRF the correct symbol indicating whether a transaction was a buy, sell, sell short, or cross for transactions in reportable securities and in some instances, the firm also failed to report the correct related market center code to the FNTRF. In addition, FINRA determined that the firm transmitted reports to the Order Audit Trail System (OATS) that contained an inaccurate time in force code, submitted a DS report in lieu of an NW report for a new order, and in one instance, submitted an inaccurate order receipt time and account type code for an order. (**FINRA Case #2009020199901**)

David A. Noyes & Company (CRD #205, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the yield factoring in the sales charge to the Real-time Transaction Reporting System (RTRS) in municipal securities transaction reports, and failed to report the correct yield to the RTRS in a few municipal securities transaction reports. The findings stated that the firm failed to disclose the yield-to-worst factoring in the sales charge to customers on transaction confirmations in municipal securities and failed to disclose the accurate yield-to-worst to customers on the confirmation in some municipal securities transactions. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and Municipal Securities Rulemaking Board (MSRB) rules concerning the confirmations of transactions involving municipal securities. (**FINRA Case #2009020711801**)

Garden State Securities, Inc. (CRD #10083, Red Bank, New Jersey) submitted an Offer of Settlement in which the firm was censured, fined $265,000 and required to have its associated personnel complete 16 hours of AML training within six months of the issuance of the Order; review its supervisory system and WSPs for compliance with those laws, regulations and rules concerning the preservation of electronic communications; and certify in writing to FINRA that it has in place systems and procedures that comply. Without admitting or denying the allegations, the firm consented to the described sanctions and

to the entry of findings that, acting through its Chief Compliance Officer (CCO) and AML Compliance Officer (AMLCO), it failed to develop and implement a written AML program reasonably designed to ensure its compliance with the Bank Secrecy Act; to monitor, detect and investigate suspicious transactions; and determine whether to file a Suspicious Activity Report (SAR) in response to multiple red flags relevant to customers' accounts, including certain red flags specifically cited in the firm's own AML procedures. The findings stated that the firm, acting through the individual, failed to implement its CIP. The firm opened new accounts for individuals and entities such as partnerships, but failed to obtain the necessary documentation establishing the customer's identity or status as a legal entity; and the firm, acting through the individual, failed to verify the identity of certain customers by using required documentation. The findings also stated that the firm, acting through the individual, failed to establish and implement risk-based procedures for foreign correspondent accounts of foreign financial institutions reasonably designed to detect and report through enhanced due diligence known or suspected money laundering activity involving the correspondent accounts, as required by the Bank Secrecy Act, and to perform enhanced due diligence of these accounts. The firm, acting through the individual, failed to conduct an adequate independent test of its AML program for one year, and failed to conduct an independent test of its AML program the following year. The findings also included that the firm, acting through the individual, failed to establish, maintain and enforce a system of written supervisory control policies and procedures for the designation of supervisors for producing managers, the Limited Size and Resource Exception for branch manager supervision, review and monitor the transmittal of funds, review and monitor customer changes of address and the validation of such changes, and identify and provide heightened supervision over qualifying producing managers.

FINRA found that the firm failed to complete accurate annual certifications for two years, failed to submit to the firm's senior management no less than annually, reports that detailed the firm's system of supervisory controls, summarized the results of the firm's test of its supervisory procedures and significant identified exceptions, and described any additional or amended supervisory procedures created in response to the test results, and failed to complete accurate annual certifications. FINRA also found that the firm failed to report statistical and summary information to FINRA regarding customer complaints. In addition, FINRA determined that the firm, acting thorough the individual, failed to establish and maintain a supervisory system and establish, maintain and enforce WSPs reasonably designed to achieve compliance with the requirements of FINRA rules and the federal securities laws regarding customer complaint reporting, supervision of private securities transactions and other areas. The firm, acting through the individual, failed to make reasonable efforts to obtain customer information necessary to make a suitability determination, and failed to develop and document specific training policies or programs reasonably designed to ensure that associated persons who effected and registered principals who reviewed transactions in deferred VAs complied with the requirements of NASD Rule 2821 and that they understood the material features of deferred VAs. Moreover, FINRA found that the firm failed to provide for training of its personnel engaged in

telemarketing and failed to supervise its telemarketing activities. Furthermore, FINRA found that the firm determined that it failed to maintain and preserve all of its business-related electronic communications for three years, and failed to maintain and preserve electronic text messages involving firm personnel and business-related emails firm personnel sent and received thorough personal emails. The firm utilized an outside vendor for the storage and retrieval of electronic communications; however, that vendor only maintained an electronic record of the firm's emails for one year, after which it would purge those records from its archives. FINRA also found that the firm, acting through the individual, failed to make and keep current order memoranda for securities transactions effected through a clearing firm that contained the information required by Securities Exchange Act of 1934 Rule 17a-3. The order memoranda failed to include the terms and conditions of the order or instructions and of any modification or cancellation thereof, the time the order was received, the time of entry, the time of execution or cancellation, and the identity of any other person (exclusive of the associated person responsible for the account) who entered or accepted the order on behalf of the customer and any modifications/cancellations. (**FINRA Case #2009016230601**)

HSBC Securities (USA) Inc. (CRD #19585, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $70,000 and required to revise its WSPs regarding FINRA Rule 6760(b). Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it served as the managing underwriter of a distribution or offering, other than a secondary offering, and failed to report such distribution or offering to FINRA Market Operations within the prescribed time frame. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning FINRA Rule 6760(b). The findings also stated that the firm failed to report S1 transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time. (**FINRA Case #2010024139801**)

Investment Professionals, Inc. (CRD #30184, San Antonio, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to ensure that VA applications a firm representative submitted were adequately reviewed. The representative's alterations caused the firm to retain inaccurate records. The findings stated that the representative submitted inaccurate documentation that changed the customers' years of birth to make them appear younger. The representative received higher compensation because the percentage commission was greater for younger customers. A comparison of the customers' driver's licenses and the account-opening documents, which were available for principal review, would have revealed the alterations on the documents. The findings also stated that by not ensuring that any of the firm's principals compared the information on the application with the customers' identification, the firm failed to enforce its WSPs. (**FINRA Case #2011028001902**)

Lazard Capital Markets LLC (CRD #134736, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $40,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed, within 90 seconds after execution, to transmit to the FNTRF last sale reports of transactions in designated securities. The findings stated that the firm failed to report the correct execution time to the FNTRF in last sale reports of transactions in designated securities. The findings also stated that the firm failed to provide written notification disclosing to its customer that the transaction was executed at an average price, and also failed on some occasions to provide written notification disclosing to its customer the correct type of compensation the firm charged for the transaction. The findings also included that the firm failed to properly mark sell orders as short sales on its brokerage order memoranda. FINRA found that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA rules addressing adequate WSPs in best execution; anti-intimidation/coordination; other trading rules, including rules to review clearly erroneous transactions; and SEC Rule 612 of Regulation NMS. FINRA also found that the firm failed to submit new order information to OATS for reportable orders, submitted inaccurate routed market participant identifier (MPID) information to OATS for reportable orders and submitted an erroneous cancel report to OATS for one reportable order. (**FINRA Case #2008014261502**)

Newedge USA, LLC (CRD #36118, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $20,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report information regarding purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by MSRB Rule G-14 RTRS Procedures and the RTRS Users Manual. The findings stated that the firm failed to include specific items of information listed for such transactions in the specifications for real-time reporting of municipal securities transactions, namely the yield. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and MSRB rules concerning trade reporting of transactions in municipal securities. (**FINRA Case #2010022815101**)

Nighthawk Partners, Inc. (CRD #44134, Austin, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $20,000. FINRA imposed a lower fine after it considered, among other things, the firm's size, revenues and financial resources. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it distributed marketing materials that failed to disclose in an adequate and balanced manner the risks associated with investing in an advertised hedge fund, so the material was unbalanced and misleading. Two communications the firm distributed lacked any risk disclosures at all. The findings stated that the risk disclosures contained in other communications were either stated so

generally that they were ineffective or omitted certain relevant risk factors. The findings also stated that the firm distributed marketing materials that failed to disclose, in an adequate and balanced manner, material information that was necessary to explain and provide a sound basis for an investor to evaluate the hedge fund being promoted, rendering the marketing materials misleading. The findings also included that marketing materials the firm distributed contained exaggerated, unwarranted and/or misleading statements in promoting the advertised hedge funds, including the promise of providing enhanced trading returns. (**FINRA Case #2009018185301**)

Nomura Securities International, Inc. (CRD #4297, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $50,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it re-launched its mortgage-backed securities business. Thereafter, trade confirmations relating to this business were saved in two electronic files, one of which contained confirmations for forward transactions in mortgage-backed securities. The findings stated that after the firm's re-launch, the mail service department did not become aware of the file containing trade confirmations for forward transactions, and for about a year, generated and stored trade confirmations for the transactions, but did not deliver them to the affected institutional customers. (**FINRA Case #2010025800201**)

North Star Investment Services, Inc. (CRD #7984, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to comply with the reporting requirements set forth by the MSRB, in that it failed to report transactions with accurate execution times for municipal transactions reviewed because the execution times did not match the time on the order tickets, failed to accurately report capacity for municipal transactions reviewed in that transactions inaccurately referenced agency capacity when a portion of the block orders were done as principal, failed to timely report municipal trades reviewed and failed to report to the RTRS transactions reviewed utilizing a firm MPID. These failed to report transactions were found on the firm's agency trade blotters. The findings stated that the firm failed to comply with SEC and MSRB requirements in that the firm's time stamp machine was eight minutes fast, causing inaccurate time stamps on order tickets; the firm failed to maintain a street-side ticket for principal transactions. The firm instead wrote one order ticket representing the customer side of the principal transaction, with usually only one time stamp, and the order ticket for one trade failed to evidence accurate capacity. The ticket erroneously referenced principal capacity when it should have referenced agency capacity. The findings also stated that the firm failed to establish and maintain an adequate supervisory system, including written procedures, reasonably designed to achieve compliance with the requirements of municipal transaction reporting and the supervision of municipal transaction reporting. The findings also included that the firm reported transactions to TRACE in which the execution time

did not match the time on the order memorandum, failed to report transactions to TRACE, reported a duplicate trade on two occasions, reported a transaction with an inaccurate price, and reported a transaction with an inaccurate capacity. FINRA found that the firm failed to prepare and maintain adequate WSPs addressing TRACE transaction reporting and supervision of TRACE transaction reporting. The firm failed to create and enforce adequate WSPs in that the firm's procedures did not include the requirements to record times of receipt, entry and execution for securities trades on order memoranda, nor did such procedures establish the firm's supervisory process for monitoring the accuracy of its time stamping devise. (**FINRA Case #2011025854501**)

Raymond James & Associates, Inc. (CRD #705, St. Petersburg, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $250,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that two branch offices engaged the services of a firm employee to build and maintain an online document management system (DMS) for customer records. After the employee departed from the firm, this individual, a non-affiliated third party, was not approved by the firm to receive personally identifiable information (PII) about firm customers. Nevertheless, a branch office of the firm provided PII of numerous firm customers to the non-affiliated third party and a second branch office provided the non-affiliated third party with PII of customers and their beneficiaries. The findings also stated that subsequently, a firm customer complained that her firm account information and PII were available on the Internet. The firm learned that while building and maintaining the DMS, the non-affiliated third party had inadvertently posted customer PII to the Internet. The firm did not have a supervisory system or written procedures in place to ensure that its employees adhered to its policies on the matter. The firm failed to establish and maintain adequate supervisory systems and procedures to safeguard against the unauthorized disclosure of PII to non-affiliated third parties, and failed to provide customers with opt-out notices prior to disclosing non-public customer information to a non-affiliated third party.

FINRA found that upon notification that the customer PII was searchable on the Internet, the firm immediately contacted the unauthorized third party, who contacted the search engine to remove the customer information. The firm subsequently notified regulators of the incident and notified affected customers and their beneficiaries that their PII had been exposed on the Internet, and offered customers and their beneficiaries free credit monitoring and protection services. FINRA also found that the firm amended its WSPs in connection with the protection of PII, and conducted mandatory training in the protection of PII to all associated persons, including branch personnel. To date, to the firm's knowledge, no customer has suffered any instances of identity theft or other actual damages because of the information security breach.

Separately, the firm failed to have a supervisory system and written procedures to monitor the dissemination of PII, or to take reasonable steps to prevent the dissemination of PII in

its mailings. A firm-approved third-party vendor sent correspondence to customers relating to a cash management account program. To prepare for the mailing, the firm provided the vendor with a list of customers. The vendor printed mailing labels for the envelopes and processed a mailing to 87,000 customer accounts; however, the labels on the envelopes mailed to customers disclosed each customer's account number along with the customer's name and address. (**FINRA Case #2010023995301**)

Scott & Stringfellow, LLC (CRD #6255, Richmond, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $35,000, required to pay $761.25, plus interest, in restitution to customers, and required to revise its WSPs regarding best execution for corporate fixed income transactions. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that in transactions for or with a customer, it failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning best execution for corporate fixed income transactions. The findings also stated that the firm failed to fully and promptly execute orders. (**FINRA Case #2008012355701**)

Stephens dba Stephens Inc. (CRD #3496, Little Rock, Arkansas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $55,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish, maintain and enforce a supervisory system and control procedures reasonably designed to prevent its representatives from engaging in fraudulent post-execution allocations of block trades (cherry picking). While the firm required its representatives to designate the account to which a block trade should be allocated upon order entry, it failed to have in place any system or procedure that verified that the representatives had made the requisite designations. The findings stated that the firm's order entry system accepted orders for block-trading accounts even if an account was not designated upon order entry. The firm did not have in place adequate systems or procedures designed to monitor for or detect a representative's failure to adhere to the policy. The findings also stated that the firm did not utilize any exception reports to detect if representatives had designated a customer at the time they entered an order using their block-trading account. The firm's only block-trading exception report was used to monitor and detect block trades that had not been allocated by the end of the trading day, whether or not the representative had designated the trade at the order entry time. The firm did not have any controls to detect a former representative who used his block-trading account to allocate favorable trades post-execution to favored customers to the detriment of a discretionary customer, whose account the representative did not have discretion over. The findings also included that the firm repaid the discretionary customer approximately $240,000 for damages related to the representative's cherry-picking scheme

and what the firm determined to be his unauthorized trading. FINRA found that the firm failed to monitor its representative's block-trading activity for improper post-execution allocations. (**FINRA Case #2010021176202**)

Title Securities, Inc. (CRD #30057, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $150,000—to be paid jointly to FINRA, The NASDAQ Stock Market, LLC, BATS Exchange Inc. and NYSE ARCA, Inc.—of which $37,500 shall be paid to FINRA. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that the firm is an introducing broker-dealer established for the purpose of facilitating direct market access to the U.S. markets to one particularly large volume customer. The findings stated that the firm's large customer is a corporation domiciled in Cyprus that utilizes the services of an unregistered third-party trading organization to trade its capital. The customer account does a large volume of high frequency trading through the firm, averaging trades of as many as 3 billion shares per month. The findings also stated that the firm failed to develop and implement an AML program tailored to its business model, so its AML policies, procedures and internal controls could not reasonably be expected to monitor, detect and cause the reporting of suspicious or manipulative trading activity. The AML procedures also did not include red flags for the firm to monitor for in connection with suspicious trading activity. The findings also included that when the customer account opened, the firm began conducting manual surveillance of the trading executed through the firm, but this surveillance was done primarily for profit-and-loss purposes. Due to the large volume of trading activity, a manual review was unreasonable.

FINRA found that the firm's AML procedures provided that the firm would monitor for potential AML activity by using automated exception reports for unusual size, volume, pattern or type of transactions. However, other than the wash sale and odd-lot filters implemented in the firm's order entry platform, which did not prevent activity or generate exception reports, and certain alerts from its clearing firm, the firm did not have a surveillance system. Nor did the firm conduct any review, automated or otherwise, to monitor for suspicious or manipulative trading activity, such as wash trades, layering, odd lots or marking the close. The firm principally relied on its clearing firm to identify and notify it of suspicious or manipulative trading activity, but failed to provide for an adequate review of this information from its clearing firm. The firm did not make reasonable efforts to ensure that each trader was only issued one trader ID or to terminate inactive IDs, so traders were able to use multiple trader IDs to bypass the wash sale filters, to circumvent surveillance monitoring, to have access to higher trading limits through the use of multiple IDs and to potentially continue trading under a different trader ID. FINRA also found that the firm received numerous inquiries from its clearing firm, as well as from FINRA, BATS, NYSE ARCA and NASDAQ concerning wash trading, odd lots and layering in the customer account. Despite being placed on repeated notice of potentially manipulative trading in the customer account, the firm failed to establish meaningful controls, such as electronic surveillance or exception reports, to monitor for the type of suspicious activity detected.

The firm never considered whether to file a SAR related to any suspicious trading activity identified, even in the instances where the firm instructed the customer's authorized representative to terminate the customer account trades for their questionable trading activity. (**FINRA Case #2010022913901**)

Individuals Barred or Suspended

Joseph Stanley Amundsen (CRD #4728125, Registered Principal, Easton, Pennsylvania) was barred from association with any FINRA member in any capacity. The National Adjudicatory Council (NAC) affirmed the sanction following appeal of an Office of Hearing Officers (OHO) decision. The sanction was based on findings that Amundsen willfully failed to disclose material information on his Forms U4.

The decision has been appealed to the SEC and the bar is in effect pending consideration of the appeal. (**FINRA Case #2010021916601**)

Carl Anthony Antonucci (CRD #2731821, Associated Person, Wexford, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Antonucci's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Antonucci consented to the described sanctions and to the entry of findings that he performed duties that required registration as a general securities principal before he was registered as such. The findings stated that Antonucci prepared an inaccurate certification page for his member firm's AML test to make it appear that the test had been conducted at an earlier date than it actually had been conducted. Antonucci created a Business Continuity Testing Plan memorandum in which he incorrectly certified that he had conducted telephone testing as part of the plan when he had not done so. These documents were provided to FINRA staff during a routine examination of the firm.

The suspension is in effect from October 1, 2012, through March 31, 2013. (**FINRA Case #2010024993501**)

Wallace Barry Bennett (CRD #4218488, Registered Representative, Mansfield, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $29,436, which includes disgorgement of $19,436 in referral fees received, and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Bennett's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Bennett consented to the described sanctions and to the entry of findings that he participated in the solicitation and sale of life settlement investments to family members

who invested a total of $225,940, for which he earned $19,436.53 in referral fees. The findings stated that Bennett was not aware the principals of the company offering life settlements misappropriated investor monies for business expenses, payroll expenditures, commissions and personal expenses, so all investor funds were depleted, leaving many life insurance policy premiums for the life settlements unpaid. None of Bennett's family members received payments the promissory notes required. The findings also stated that Bennett entered into a voluntary agreement with most of the investors to make a set monthly payment until they recoup their investment losses. The findings also included that Bennett referred investors to the company selling life settlements and received referral fees without providing prior written notice to, and receiving approval for, these transactions from his member firm.

FINRA found that Bennett lacked a reasonable basis to recommend the life settlements to investors, given his failure to perform a reasonable investigation or appropriate due diligence on the product. Bennett failed to conduct independent checks on the principals' background, took others' representations at face value without verifying them, failed to obtain adequate information regarding the company's financial status, and failed to adequately investigate the backgrounds of the entity that bonded the life settlement contracts and the entity that estimated the life expectancies of the underlying insureds on the policies upon which the investment was based. FINRA also found that Bennett made insufficient efforts to ascertain the rights and obligations of the parties set forth in the subscription documents, or the risks and rewards an investment in the settlements would present to the referred investors.

The suspension is in effect from September 17, 2012, through December 16, 2012. (**FINRA Case #2010022406802**)

Charles Eugene Bishop Jr. (CRD #1621380, Registered Principal, Pompano Beach, Florida) submitted an Offer of Settlement in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for two years. Without admitting or denying the allegations, Bishop consented to the described sanctions and to the entry of findings that he attempted to misappropriate approximately $3 million from an elderly customer of his member firm. The findings stated that Bishop created paperwork by which the deceased customer's assets would be transferred to a purported entity that was never formed, but whose name was virtually identical to a company the customer owned, with a tax identification number assigned by the Internal Revenue Service (IRS) to another entity that was never formed, but whose sole member, according to IRS records, was Bishop. Bishop had the customer sign a firm form that designated Bishop's entity, Although the customer's signature on the form was notarized, the customer was not present before the notary when the signature was notarized. The beneficiary's tax identification number on another firm form the customer signed was changed to the tax identification number for the purported entity associated with Bishop as sole member. The signature date of the form was not altered or changed, and the customer did not initiate the change of

the tax identification number. The findings also stated that after the customer passed away, Bishop, through his attorney, filed a notice with a Probate Division with his state's Circuit Court representing that he had an interest in the customer's estate as a claimant and beneficiary of the deceased customer's estate. Following Bishop's termination of employment from his firm, the court issued an order invalidating the beneficiary designations that were on file at Bishop's firm for the customer's securities accounts.

The suspension will be in effect from December 3, 2012, through December 2, 2014. (**FINRA Case #2009017699201**)

William Arnold Blair (CRD #1084436, Registered Representative, Nashville, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Blair's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Blair consented to the described sanctions and to the entry of findings that he failed to disclose certain outside business activities to his member firm. Blair failed to disclose that he had acted as executor for the estate of a customer and had received compensation for performing these duties. The findings also stated that Blair failed to notify his member firm that he had opened a securities account at another member firm.

The suspension is in effect from September 17, 2012, through December 16, 2012. (**FINRA Case #2011029373701**)

Stephen Burton Blankenship (CRD #2234577, Registered Principal, New Fairfield, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Blankenship consented to the described sanction and to the entry of findings that a customer provided Blankenship with a personal check in the amount of approximately $50,000, which was written to Blankenship's outside business, and was intended for the purpose of purchasing a mutual fund investment. Rather than investing the funds as the customer directed, Blankenship used the funds for his own personal use, thereby wrongfully converting customer funds. The findings stated that in resolution of criminal charges related to the conversion of customer funds, including the customer's, Blankenship entered a guilty plea to one count of mail fraud and one count of securities fraud. As part of the guilty plea, Blankenship agreed to pay full restitution to all customers, including this customer. (**FINRA Case #2011030102601**)

Kris Bortnovsky (CRD #5320266, Registered Principal, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for five business days. Without admitting or denying the findings, Bortnovsky consented to the described sanctions

and to the entry of findings that he exercised discretion in effecting transactions in a customer's securities accounts, without the customer's written authorization to exercise such discretion, and without his member firm having accepted the account in writing as discretionary.

The suspension was in effect from November 5, 2012, through November 9, 2012. (**FINRA Case #2011027999301**)

Ryan Bradley Braun (CRD #5965745, Associated Person, Eden Prairie, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon Braun's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Braun consented to the described sanctions and to the entry of findings that he failed to disclose material facts on his Form U4 relating to his criminal history.

The suspension was in effect from October 1, 2012, through October 30, 2012. (**FINRA Case #2011029295601**)

Frederick Graham Brimmer II (CRD #5655405, Registered Representative, Marietta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Brimmer consented to the described sanction and to the entry of findings that he misappropriated $10,000 from two elderly brokerage customers who had provided him with the money for a supposed investment in an auto broker sales business; and rather than invest the money on the customers' behalf, Brimmer deposited the money into his personal bank account and never gave of any of the money or returns to the customers. The findings stated that Brimmer intentionally and recklessly omitted material facts in connection with his solicitation of elderly brokerage customers to purchase certain securities. Brimmer's material omissions consisted of failing to disclose to each customer that he anticipated receiving a referral fee totaling $30,000 for introducing the brokerage customers to an individual who entered into promissory notes with each customer and committed to repay the customers' principal investments (collectively totaling $150,000) plus returns of 200 percent within maturity dates of roughly a month of the execution of the promissory notes. None of the customers received any of their principal or promised interest as of the maturity date of the promissory notes. The findings also stated that Brimmer failed to provide his member firm with written notice prior to his involvement in private securities transactions in connection with transactions associated with an individual, and a private placement bond issue involving a pooled venture to facilitate financing for the establishment of a business. The elderly customers invested a total of approximately $420,000 in either the promissory notes or the private placement bond issue. The findings also included that Brimmer sold, or offered to sell, unregistered

securities in connection with the private securities transactions. Neither a registration statement nor a Form D filing claiming any exemption from registration existed on file with the SEC. FINRA found that Brimmer maintained communications and other records of his investment activities via personal email and personal computer storage accounts that were unconnected to his then member firm's computer network, in violation of FINRA's books and records requirements. FINRA also found that in connection with its investigation of this matter, Brimmer provided false and incomplete testimony about multiple factual points relevant to FINRA's investigation. (**FINRA Case #2012032495801**)

Jeffrey Charles Brown (CRD #862119, Registered Principal, Camarillo, California) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Brown consented to the described sanction and to the entry of findings that he engaged in an outside business activity without providing prompt written notice to his member firm. The findings stated that Brown was the trustee, trustor and president of a state trust, and did not notify the firm of this outside business activity either verbally or in writing until shortly before he was permitted to resign from the firm. The findings also stated that Brown failed to appear for a FINRA on-the-record interview in connection with an ongoing investigation concerning issues related to the activities of his undisclosed outside business activity. Brown, through counsel, advised FINRA that he would not appear for the on-the-record interview. (**FINRA Case #2010024807601**)

Keith John Calil (CRD #2308918, Registered Representative, Norristown, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for four months. The fine must be paid either immediately upon Calil's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Calil consented to the described sanctions and to the entry of findings that he sold equity indexed annuities (EIAs) an insurance company issued to individuals, including firm customers, without providing the firm with prompt written notice of the business activity. The findings stated that Calil's sales totaled about $3,384,408 and he received compensation of approximately $195,674 from the transactions.

The suspension is in effect from September 17, 2012, through January 16, 2013. (**FINRA Case #2010024546501**)

Rafael Antonio Calleja (CRD #2777245, Registered Representative, Tampa, Florida) submitted a Letter of Acceptance, Wavier and Consent in which he was censured and barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Calleja consented to the described sanctions and to the entry of findings that he falsely told a customer that he had transferred 14 accounts from a previous member firm to his new member firm in accordance with the customer's instructions

when he had already closed four of the accounts at the previous firm and opened only 10 accounts at his new firm. Calleja continued to make false representations to the customer that all the accounts existed and that certain trades and transfer of funds and securities were effected in the accounts that no longer existed. The findings stated that Calleja recommended and effected hundreds of securities transactions that were inconsistent with the customer's objectives for his accounts and risk tolerance. Calleja recommended that the customer open a Loan Management Account (LMA) with the bank affiliated with his firm. Without the customer's knowledge or consent, Calleja transferred funds from the LMA to the customer's various securities accounts, including accounts that Calleja opened two weeks prior to the LMA application and funded with nominal amounts of money. Within a few months, the customer's LMA balance was $531,863.11, all of which had been transferred to the accounts the customer pledged as collateral. With the proceeds from the LMA deposited into the various securities accounts, Calleja recommended and effected numerous unsuitable transactions in the customer's securities accounts at his firm.

The findings also stated that at the time the customer transferred his accounts to Calleja's firm, the customer's securities accounts were opened as fee-based accounts rather than commission-based accounts, and Calleja received a percentage of the fees charged to the customer's accounts. Calleja falsely told the customer that he was no longer receiving any compensation related to servicing the customer's securities accounts. The customer told Calleja that he wanted him to receive compensation so that Calleja would closely monitor his accounts and provide quality customer service. The findings also included that the customer agreed to allow Calleja to withdraw funds each week from one of his accounts using an automated teller machine (ATM) card linked to that account, based on the false premise that the funds would compensate Calleja for his services. Calleja withdrew $67,300 for his personal use.

FINRA found that without the customer's knowledge or consent, Calleja funded the account to make these withdrawals by transferring money from the customer's other securities accounts and from the LMA, thereby incurring interest expenses for the customer in addition to the money being withdrawn. Although the customer told Calleja to stop making withdrawals from his accounts, Calleja continued to make such withdrawals until the customer told him that he would contact Calleja's supervisor about the withdrawals. FINRA also found that Calleja began to repay the customer the money he had withdrawn from the account; to prevent his firm from becoming aware of any such payments to the customer, Calleja instructed the customer to open an account at another bank where Calleja would deposit the repayment. Calleja wired $45,000 to one of the customer's accounts from an account he controlled, which did not list his name because he did not want his firm to learn that he was wiring money to a firm customer. Although Calleja repaid the funds to the customer, at the time he took the money, he had no intention of repaying the customer and falsely represented to him that the money was for services rendered. In addition, FINRA determined that Calleja effected securities transactions in the customer's account without the customer's knowledge or authorization. When the customer saw the account

statement reflecting the stock purchases, he confronted Calleja and eventually sold the stocks. (**FINRA Case #2008015214901**)

Peter Gapp Chiang Jr. (CRD #2068958, Registered Representative, La Jolla, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 30 business days. The fine must be paid either immediately upon Chiang's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Chiang consented to the described sanctions and to the entry of findings that he failed to disclose a material fact on his Form U4 filed through his member firms.

The suspension is in effect from October 15, 2012, through November 26, 2012. (**FINRA Case #2011028635801**)

Daniel Leland Chiddister (CRD #715342, Registered Principal, Bloomington, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Chiddister consented to the described sanctions and to the entry of findings that he met with prospective customers to discuss transferring funds out of an existing universal life insurance policy to purchase a VA through Chiddister. The findings stated that while discussing the proposed transactions, Chiddister obtained one customer's Social Security number, date of birth and a recent account statement from the insurance company that held the universal life insurance policy. The customer informed Chiddister that he wanted time to consider the proposed transaction and was leaving town for an eight-week vacation. Shortly after the customers left his office, Chiddister called the insurance company to request forms for the customer to transfer the funds. The findings stated that the company representative took steps to identify the caller as the customer. Chiddister impersonated the customer, without his knowledge or consent, and supplied the representative with the customer's personal information. The representative agreed to mail the transfer form to the customer's home. The findings also stated that approximately 10 minutes later, Chiddister called the company a second time and again impersonated the customer, without his knowledge or consent. Chiddister requested the funds transfer form be faxed, emailed or sent by overnight mail to the customer's home. The representative told Chiddister that the form could only be mailed by first class delivery or provided to the customer's secure insurance company website account. When Chiddister was unable to provide the customer's website password, working with his assistant, he caused the insurance company to reset the customer's account password. The findings also included that when the customers became aware that Chiddister had caused the website password to be changed, they contacted the insurance company and complained.

The suspension is in effect from October 1, 2012, through November 30, 2012. (**FINRA Case #2010023426801**)

Mark Kelly Clark (CRD #1221080, Registered Principal, Solana Beach, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Clark consented to the described sanctions and to the entry of findings that he effected numerous discretionary transactions in a customer's account without obtaining her prior written authorization and without having his member firm's acceptance of the account as discretionary. The findings stated that during that period, Clark inaccurately indicated that he did not exercise discretionary trading authority in any client account on annual compliance questionnaires.

The suspension was in effect from October 1, 2012, through November 9, 2012. (**FINRA Case #2010024579101**)

Raymond Thomas Clark (CRD #3120696, Registered Principal, Buffalo, New York) submitted an Offer of Settlement in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the allegations, Clark consented to the described sanctions and to the entry of findings that he used a personal email account for business-related communications with customers without his member firm's knowledge or approval. The findings stated that Clark prepared and submitted to the firm a Monthly Branch Report for over a year, in which he did not indicate in any manner that he had used or was using a personal email account held with or at an unapproved vendor to communicate with any customer, or authorized representative of a customer, about investment matters. The findings also stated that Clark sent business-related documents to customers by overnight courier and by facsimile without providing his firm with copies of the documents, or otherwise making them available to the firm for review and/or retention within its records. Clark circumvented the firm's review and/or approval of the documents and emails, and caused his firm to fail to retain copies of the documents and emails in conformance with applicable recordkeeping requirements. Clark also failed to retain or preserve copies of the documents he sent to customers or all the emails he exchanged with customers within his own records so that neither he nor the firm could produce copies of the documents and emails to FINRA in its investigation.

The suspension is in effect from October 1, 2012, through November 30, 2012. (**FINRA Case #2008014383901**)

David Matthew Collins (CRD #2426858, Registered Principal, Hagerstown, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Collins consented to the described sanctions and to the entry of findings that he submitted to an annuity issuer withdrawal request forms on customers' behalf to effect withdrawals from their annuities. The findings stated that acting with the customers' consent, but without disclosure to his member firm at the time or the annuity issuer, Collins re-used copies of withdrawal request forms the customers had previously signed rather than obtaining their original signature on a

new form. On each form, Collins changed the date and, if necessary, the amount to be withdrawn, and then submitted the form to effect the withdrawal.

The suspension was in effect from October 1, 2012, through November 9, 2012. (**FINRA Case #2011029591601**)

Shelley Marie Damske (CRD #5026067, Registered Representative, Sparks, Nevada) was fined $5,000 and suspended from association with any FINRA member in any capacity for two years. The fine is due and payable when and if Damske re-enters the securities industry in any capacity. The sanctions were based on findings that Damske failed to respond timely to FINRA requests for information.

The suspension is in effect from September 17, 2012, through September 16, 2014. (**FINRA Case #2011028552002**)

Michael Andrew De La Garza (CRD #4226861, Registered Representative, Friendswood, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for two months. The fine must be paid either immediately upon De La Garza's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, De La Garza consented to the described sanctions and to the entry of findings that he engaged in an outside business activity by providing consulting services to a customer, for which he received fees totaling $45,000. The findings stated that De La Garza also participated in an outside business activity by forming a real estate development company, for which he served as manager and president. In neither case did De La Garza provide his member firm with notice of these outside business activities.

The suspension is in effect from October 1, 2012, through November 30, 2012. (**FINRA Case #2011028453501**)

Robert Joseph Eanell (CRD #2802778, Registered Representative, St. Petersburg, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for 30 business days. The fine must be paid either immediately upon Eanell's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Eanell consented to the described sanctions and to the entry of findings that he misrepresented his educational background to prospective securities customers, including on his business cards. The findings stated that on annual forms, Eanell's member firm asked him to identify all of the degrees, titles and designations that he used on letterhead, business cards or in communications with clients. Nevertheless, Eanell failed to disclose the fact that he held himself out as the holder of a doctoral degree.

The suspension was in effect from October 1, 2012, through November 9, 2012. (**FINRA Case #2011028386201**)

Evan Coley Eggers (CRD #5205969, Registered Representative, Jacksonville, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Eggers' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Eggers consented to the described sanctions and to the entry of findings that he made premium payments for his customers' life insurance policies, using his personal funds to make the payments. The findings stated that each payment was submitted to his member firm via a money order, a practice forbidden by company policy. On each money order, Eggers falsified the customer's signature. On a couple of occasions, Eggers falsified the customer's signature to reduce the value of a life insurance policy. The findings also stated that all insurance policies at issue were less than one year old. By continuing payment of the premiums, all policies remained active through a period of 13 months, thus qualifying Eggers for potential remuneration.

The suspension is in effect from October 1, 2012, through March 31, 2013. (**FINRA Case #2011026438701**)

Ellen Joyce Erenstein (CRD #3244253, Registered Representative, Boynton Beach, Florida) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Erenstein consented to the described sanction and to the entry of findings that she failed to respond to FINRA requests to provide testimony concerning customer complaints prior securities customers and their heirs had filed against her. (**FINRA Case #2010022093401**)

Francis Martin Florey (CRD #5483052, Registered Representative, Oak Ridge, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Florey consented to the described sanction and to the entry of findings that he opened a bank account in a customer's name without the customer's knowledge or consent, and transferred $116,369.47 from the customers' joint account at a bank to another bank account without their authorization. The findings stated that Florey later attempted to transfer approximately $1,561 and $112 from that account to an account in his name. To transfer the funds, the bank required verification of the customer's personal information used when opening the account. Florey attempted to impersonate the customer and after he was unable to answer certain questions, the bank restricted the account and notified its fraud department. The bank transferred the funds back to the customers' joint bank account. The findings also stated that Florey pled guilty to a third-degree felony and was sentenced to probation for two years. (**FINRA Case #2011027400701**)

Mark Everrett Friesen (CRD #4556295, Registered Principal, San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Friesen's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Friesen consented to the described sanctions and to the entry of findings that he willfully failed to amend his Form U4 to reflect felony charges against him and did not advise anyone at his member firms about the material facts against him. The findings stated that Friesen caused his firm to submit an inaccurate Form U5 upon his termination.

The suspension is in effect from October 1, 2012, through March 31, 2013. (**FINRA Case #2011029447101**)

John L. Gathright Jr. (CRD #4271451, Registered Representative, West Monroe, Louisiana) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Gathright consented to the described sanction and to the entry of finding that he began to misappropriate funds from annuities his customers held at his member firm. The findings stated that Gathright had customers sign incomplete surrender request forms, requesting that the annuity company holding the customers' annuities mail surrender checks to the customers. After obtaining customer signatures, Gathright completed the forms by entering either a residential address of Gathright's relative, or his work address at the firm as the mailing address for the account. The findings also stated that without the customers' knowledge, Gathright caused the VA companies to issue checks to the customers, sending them to the address he provided. Gathright deposited the checks into bank accounts over which he had control and then withdrew the funds for his own benefit. Gathright misappropriated an aggregate of approximately $717,000 from customers and attempted to misappropriate funds from an additional customer. (**FINRA Case #2011029578701**)

David Earl Haeffele (CRD #1449276, Registered Representative, East Peoria, Illinois) submitted an Offer of Settlement in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for 20 business days. The fine must be paid either immediately upon Haeffele's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Haeffele consented to the described sanctions and to the entry of findings that he knew but failed to report that his brother, also a representative of his member firm, converted a substantial amount of money from a customer of the firm. The findings stated that Haeffele failed to report to his firm that he received a phone call from that customer informing him that his brother had misappropriated that customer's funds. The findings also stated that Haeffele failed to disclose that his brother was attempting

to settle the related customer complaint away from the firm. The findings also stated that in both the firm's annual questionnaire and in its WSPs, the firm made it clear that it expected registered representatives to promptly notify the firm of phone calls such as the one Haeffele received from the customer. Additionally, the firm's WSPs provided in relevant part that any registered representative who receives an oral statement of a grievance from a client or prospective client should notify the compliance director of the same. The findings also included that Haeffele admitted that he knew that prior to his termination from the firm, his brother converted funds from the trust and had attempted to settle the matter without the firm's knowledge or involvement. Haeffele also admitted to receiving a complaint from the customer about the theft and failed to report any of this information to the firm.

The suspension was in effect from October 1, 2012, through October 26, 2012. (**FINRA Case #2009019590502**)

Robert Brook Hansen (CRD #2676150, Registered Principal, Champlin, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Hansen's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hansen consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing written notice to, or receiving written approval from, his member firm. The findings stated that Hansen participated in customers' purchase of shares of entities; Hansen received stock warrants from one entity, and owned and operated another.

The suspension is in effect from October 1, 2012, through December 31, 2012. (**FINRA Case #2010025107701**)

Jacqueline Lynn Hanson (CRD #2903017, Registered Representative, Waterford, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which she was suspended from association with any FINRA member in any capacity for 30 business days. In light of Hanson's financial status, no monetary sanction was imposed. Without admitting or denying the findings, Hanson consented to the described sanction and to the entry of findings that she failed to make a timely disclosure of a material fact on her Form U4.

The suspension was in effect from October 1, 2012, through November 9, 2012. (**FINRA Case #2011027337901**)

David Eric Helbert (CRD #3093593, Registered Representative, Avon Lake, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Helbert's reassociation with a FINRA member firm

following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Helbert consented to the described sanctions and to the entry of findings that he willfully failed to amend his Form U4 to disclose tax liens against him for unpaid taxes totaling $4,740.98, and to disclose a consent order with a state in which he agreed to pay a $10,000 fine and agreed to findings that he engaged in the unauthorized practice of law while he was a licensed insurance agent. The findings stated that Helbert admitted that he was aware of the consent order and had received notice of both liens at his residential address when the liens were assessed. The findings also stated that only after Helbert's member firm discovered the existence of the consent order, about a year after, did Helbert amend his Form U4 to disclose the consent order. Helbert never amended his Form U4 to reflect either of the tax liens.

The suspension is in effect from September 17, 2012, through December 16, 2012. (**FINRA Case #2011028524701**)

Jeremy Alan Hoscheid (CRD #5576184, Registered Representative, Anaconda, Montana) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Hoscheid consented to the described sanction and to the entry of findings that he endorsed a $6,067.43 insurance premium check at his firm's affiliate and deposited it into an account he controlled. The findings stated that Hoscheid also altered computer screen shots of fixed insurance policy information and sent them to his non-broker-dealer customers. Hoscheid admitted his misconduct to his firm and to FINRA. (**FINRA Case #2011030082701**)

Jeffrey Alan Hutman (CRD #1011666, Registered Representative, Schaumburg, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Hutman's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hutman consented to the described sanctions and to the entry of findings that he recommended that numerous customers exchange their member firm VAs with EIAs from another company. The findings stated that these sales were outside the scope of Hutman's relationship with his firm, and Hutman failed to disclose these outside business activities to his firm. Hutman submitted the customers' transfer documents directly to the EIA's provider, and another insurance agent signed the transfer of assets paperwork as the selling and witnessing representative. The findings also stated that during the time of the outside business activity, Hutman completed a monthly compliance attestation stating there weren't any changes to the list of approved outside business insurance carriers with which he had appointments; this list did not include the EIA's provider. The

findings also included that the firm's WSPs prohibited employees from engaging in outside business activities without prior written approval from their supervisor and the compliance department.

The suspension is in effect from October 1, 2012, through March 31, 2013. (**FINRA Case #2010025007801**)

Issa Odeh Ishaq (CRD #2774510, Registered Representative, Northville, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Ishaq consented to the described sanction and to the entry of findings that he failed to respond to a FINRA request to appear for an on-the-record interview regarding an oral customer complaint. Ishaq's attorney notified FINRA that Ishaq would not appear for an interview and did not intend to be associated with a member firm in the future. (**FINRA Case #2012032681301**)

Charlie Michael Jones (CRD #2775150, Registered Representative, Tifton, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Jones consented to the described sanction and to the entry of finding that he misappropriated a total of $3,547.70 in customer insurance premiums from his member firm's insurance affiliate. The findings stated that the firm's policies and procedures required Jones to deposit the cash premiums into his premium fund trust account (PFTA) and then promptly issue a check to the insurance affiliate to remit the premium payments. Jones recorded the receipt of cash premiums his insurance customers paid, thereby crediting the customers with payment, but then failed to deposit the premiums and remit them to the insurance affiliate. The findings also stated that Jones mishandled his PFTA by improperly using it to pay at least $2,276.78 in personal and business expenses. The firm's policies and procedures strictly prohibited the use of a PFTA to pay personal and business expenses, stating that the sole purpose of a PFTA is to convert customer cash premium payments to a check for transmittal to the insurance affiliate. (**FINRA Case #2012032787701**)

Robert John Kostigen (CRD #1203410, Registered Principal, Quincy, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, Kostigen consented to the described sanctions and to the entry of findings that in connection with customers' authorized annuity purchases, Kostigen improperly placed their initials and/or signatures on certain documents related to those transactions or caused their initials and signature to be placed thereon.

The suspension was in effect from October 15, 2012, through November 9, 2012. (**FINRA Case #2010024538301**)

Brett Michael Letourneau (CRD #4462399, Registered Principal, Beverly, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Letourneau consented to the described sanction and to the entry of finding that he misappropriated $234,663 from his firm by utilizing accounts of firm customers and registered representatives to divert funds from the firm's operating and commission accounts to his own brokerage account. The findings stated that Letourneau used different methods to misappropriate the firm's funds. Letourneau overpaid commissions to firm registered representatives by making erroneous journal entries to allocate commissions to their accounts, and then simultaneously made corrective entries to move the allocations to his own brokerage account. The findings also stated that Letourneau erroneously credited customer accounts by making credits in error to those accounts, and then subsequently made corrective entries that moved the credits from the customer accounts to his own brokerage account. Letourneau deposited checks intended for the firm or that he fraudulently issued from the firm into his own brokerage account and paid himself advisory fees from the firm's operating account. (**FINRA Case #2012033003901**)

Mark Norman Levine (CRD #1979837, Registered Representative, West Hartford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Levine's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Levine consented to the described sanctions and to the entry of findings that his customer signed a form regarding the disposition of a worthless security, but the form was subsequently misplaced; and sometime thereafter, Levine affixed the customer's signature to a copy of a form by cutting and pasting the customer's signature from another document. The findings stated that Levine then submitted that form to his member firm without the customer's authorization or consent to affix her signature to the form before he did so.

The suspension was in effect from September 17, 2012, through October 16, 2012. (**FINRA Case #2011028691301**)

Charles Duane Lewis (CRD #3236086, Registered Representative, La Mesa, California) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Lewis consented to the described sanction and to the entry of findings that he obtained a power of attorney from an elderly customer and, without the customer's knowledge or consent, wrote checks from the customer's bank account to himself or his company in the total approximate amount of $467,177, and wrote some checks to a personal friend of his, in the approximate amount of $83,318.74, for a combined total of $550,495.74; and that Lewis, without authority, used the customer's funds for his own uses and purposes. The findings stated

that in connection with the misconduct, Lewis was charged in a California County Superior Court with 58 felony counts. Lewis pled guilty and was convicted of theft from an elder and fraudulent appropriation of funds. In consideration of Lewis' plea, the court dismissed the remaining felony counts. The findings also stated that Lewis failed to respond to FINRA requests for documents and information concerning the alleged misappropriation. (**FINRA Case #2010023492301**)

John Richard Liegey (CRD #846047, Registered Principal, London, United Kingdom) submitted an Offer of Settlement in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for 60 days. The fine must be paid either immediately upon Liegey's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Liegey consented to the described sanctions and to the entry of findings that he willfully failed to amend his Form U4 to disclose material information, and willfully failed to timely amend his Form U4 to disclose material information.

The suspension is in effect from October 15, 2012, through December 13, 2012. (**FINRA Case #2010022940101**)

Brennan R. Lollar (CRD #5287737, Registered Representative, St. Petersburg, Florida) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Lollar misappropriated funds from a bank where he worked as a branch manager. The findings stated that without the bank's permission or authority, Lollar transferred funds into customers' accounts and labeled the transfers as refunds of bank fees. No bank fees had ever been assessed to the customers, and Lollar knew the customers were not entitled to any refunds. Through a series of several small transactions, Lollar misappropriated a total of $3,242.90 into customers' accounts. The findings also stated that Lollar admitted to the bank that he issued the false refunds and claimed that he did so to assist, or to curry favor with, certain customers. The bank obtained reimbursement through the liquidation of Lollar's retirement fund. The findings also included that other than Lollar providing FINRA with a photocopy of a written statement previously provided to the bank admitting to certain aspects of his misconduct, he did not respond to FINRA requests for information and failed to appear for a FINRA on-the-record interview. (**FINRA Case #2010024098101**)

Thomas Robert Lundberg (CRD #702224, Registered Principal, Olathe, Kansas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Lundberg's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Lundberg consented to the described sanctions and to the entry of findings that he willfully failed to timely disclose a felony charge and conviction on his Form U4.

The suspension is in effect from September 17, 2012, through March 16, 2013. (**FINRA Case #2010025375901**)

Anthony Peter Mashintonio (CRD #839330, Registered Principal, Frederick, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for seven months. The fine must be paid either immediately upon Mashintonio's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Mashintonio consented to the described sanctions and to the entry of findings that he cut and pasted customer signatures on various documents, including annuity withdrawal forms, brokerage account individual retirement account (IRA) distribution request forms and an annuity contract update request, and re-used pre-existing documents by photocopying and then altering the information on them. The findings stated that although the documents were used to facilitate otherwise authorized transactions, Mashintonio did not have the customers' authorization or consent to cut and paste their signatures onto the forms or to re-use the existing forms in the manner that he did. The findings also stated that in compliance questionnaires submitted to his member firm over two years, Mashintonio falsely certified that he had never affixed a customer's name or initials to any document or modified any customer documents after they had been signed.

The suspension is in effect from September 17, 2012, through April 16, 2013. (**FINRA Case #2012031093901**)

William Henry Matthews (CRD #1002545, Registered Principal, Carrollton, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Matthews consented to the described sanction and to the entry of findings that he borrowed a total of $7,000 from firm customers, without receiving prior written permission from his then member firm's CCO for these loans. The findings stated that Matthews falsely answered questions on his firm's annual compliance questionnaire regarding customer loans and the existence of a federal tax lien and a judgment against him. Matthews also provided false information to his firm regarding the number of clients from whom he had borrowed money. The findings also stated that Matthews willfully failed to file amendments to his Form U4 to disclose material facts. The findings also included that during a FINRA on-the-record interview, Matthews gave false and misleading testimony pertaining to the timing of his repayment of the loan to one of the customers. (**FINRA Case #2011027227701**)

Paul Jacob Maxa (CRD #2059711, Registered Principal, Richfield, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any principal capacity for 30 business days.

Without admitting or denying the findings, Maxa consented to the described sanctions and to the entry of findings that he failed to supervise private securities transactions by a registered representative of his member firm. The findings stated that Maxa was the firm's chief executive officer (CEO). The registered representative requested approval to sell promissory notes in a private placement offering as an outside business activity, and Maxa approved these sales even though he had sufficient information to determine that the notes were securities. The findings also stated that because Maxa approved these sales as an outside business activity, the firm did not review the transactions or put them on its books and records. The registered representative sold $1,915,000 of notes in the private placement offering to several customers.

The suspension was in effect from October 1, 2012, through November 9, 2012. (**FINRA Case #2009019311901**)

Mark Howard McGinnis (CRD #3016833, Registered Representative, Cartersville, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which he was censured, fined $10,000, suspended from association with any FINRA member in any capacity for 15 months and ordered to pay $112,942.44, plus interest, in restitution to a customer. The fine and restitution must be paid either immediately upon McGinnis' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, McGinnis consented to the described sanctions and to the entry of findings that he accepted loans from a customer, who was not a family member, without informing his firm or receiving its written approval. The findings stated that the firm's policies prohibited registered representatives from obtaining loans from firm customers, except in the case of immediate family members. McGinnis was not related to the customer. The customer wired $80,553.35 from her bank account directly to McGinnis' mortgage holder to pay off his home equity line of credit. McGinnis signed and delivered a promissory note to the customer, which required him to repay the customer $10,000 per year until the loan was paid in full. The terms of the note did not identify a start date for repayment and did not require McGinnis to pay any interest on the loan. McGinnis made payments to the customer totaling only $2,500 and has not made any additional payments to the customer on the loan. The findings also stated that McGinnis borrowed approximately $34,356.91 from the customer for his own personal use. McGinnis attempted to repay the customer by providing personal checks totaling $34,356.91, but the customer did not deposit any of the checks McGinnis issued.

The suspension is in effect from October 1, 2012, through December 31, 2013. (**FINRA Case #2011028392601**)

Brian Richard McKenna (CRD #2521614, Registered Representative, Cumberland, Rhode Island) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $2,500 and suspended from association with any FINRA member in any capacity for one month.

The fine must be paid either immediately upon McKenna's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, McKenna consented to the described sanctions and to the entry of findings that he borrowed $7,500 from one of his customers at his firm without disclosing the loan to his firm, which prohibited all borrowing from customers. The findings stated that McKenna failed to repay the loan according to the terms of the promissory note he executed. McKenna made two payments to the customer, but failed to make additional payments for 10 months. McKenna finally repaid the loan, with interest, after the customer complained to the firm.

The suspension was in effect from October 15, 2012, through November 14, 2012. (**FINRA Case #2012031077001**)

Randy Reid Millen (CRD #2102511, Registered Representative, Easton, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Millen's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Millen consented to the described sanctions and to the entry of findings that he exercised discretionary power in a customer's accounts to effect, or caused to be effected, purchases and sales of securities without the customer's written authorization to place discretionary trades and his firm's written acceptance of the accounts as discretionary. The findings stated that the customer sent a letter to Millen accusing him of trading in the accounts without permission and overcharging him approximately $43,000 for those transactions. Millen did not initially inform his firm of the customer's complaint, but instead offered to pay the customer the amount of the alleged overcharges. After negotiating with the customer about settlement for several months, Millen finally notified his firm of the customer's complaint.

The suspension is in effect from October 15, 2012, through January 14, 2013. (**FINRA Case #2011029152901**)

Scott Chamberlin Miller (CRD #4725982, Registered Representative, Chagrin Falls, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Miller's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Miller consented to the described sanctions and to the entry of findings that his firm required its customers to complete and sign a Client Relationship Agreement (CRA) and a Mutual Fund/UIT Disclosure Form (Disclosure Form) before purchasing unit

investment trust (UIT) products. The findings stated that in signing the CRAs and Disclosure Forms, the customers attested that the information contained therein was true, correct and complete. The customer's registered representative and a principal were also required to sign both documents. The findings also stated that Miller had his customers sign partially blank CRAs and/or Disclosure Forms for sales and then added information to the customers' forms after the customers had signed them; specifically, he added the customers' income and assets to the CRAs and/or the UIT's Committee on Uniform Securities Identification Procedures (CUSIP) and symbol to the Disclosure Forms. Miller added this information to expedite his customers' paperwork completion time.

The suspension was in effect from October 15, 2012, through November 14, 2012. (**FINRA Case #2010025078801**)

Matthew Donald Newman (CRD #5211828, Associated Person, Santa Ana, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for nine months. The fine must be paid either immediately upon Newman's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Newman consented to the described sanctions and to the entry of findings that he failed to timely respond to a FINRA request for information in connection with an inquiry involving cutting an original customer signature from his member form and affixing it onto another firm form for the same customer. Newman submitted the altered form for processing to effect a change of address for the customer, as requested.

The suspension is in effect from October 1, 2012, through June 30, 2013. (**FINRA Case #2011026578402**)

James Lee Oxley (CRD #1257423, Registered Principal, Franklin, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Oxley's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Oxley consented to the described sanctions and to the entry of findings that at his request, his member firm participated in a private placement offering for a local company but ended its involvement with the company. After his firm had completed its participation in the company's offering, Oxley told a customer who had participated in the original offering that the company was in need of additional funding, reviewed the paperwork the customer signed after agreeing to invest more funds and periodically updated the customer about his investment. The findings stated that a representative Oxley supervised sold approximately $200,000 worth of the company's notes and Oxley participated in the transactions by providing offering documents and related paperwork to the representative. Other

customers purchased company notes for approximately $100,000 after Oxley presented them with the investment opportunity, obtained their signatures on the company notes and forwarded the signed paperwork to the company. The findings also stated that in connection with these activities and transactions, Oxley failed to provide written notice of his participation in these private securities transactions to his firm, and failed to obtain the firm's approval or acknowledgment to participate in the transactions.

The suspension is in effect from September 17, 2012, through December 16, 2012. (**FINRA Case #2010023225601**)

Fernando Miguel Padilla (CRD #4924141, Registered Representative, Boqueron, Puerto Rico) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $20,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Padilla's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Padilla consented to the described sanctions and to the entry of findings that he made material misrepresentations to customers in connection with their purchase of VAs, mutual funds and/or preferred stock by representing that their investments would be protected and not subject to market risk. All of them told Padilla they could not afford to lose their interest. Two customers were elderly and did not speak, read or write English, and could not read the disclosure documents they received. The findings stated that in addition, Padilla's investment recommendations were unsuitable. The customers either specifically told Padilla they did not want to put their money at risk or cautioned him that the money they were investing was all they had and they could not afford to lose it. Padilla's recommendations were directly contrary to the customers' stated investment objectives, and for two customers, his recommendations were inconsistent with their financial needs. The customers lost approximately $89,000 total.

The suspension is in effect from September 17, 2012, through September 16, 2013. (**FINRA Case #2009017840901**)

Joseph Anthony Padilla (CRD #2203872, Registered Principal, San Marcos, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Padilla's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Padilla consented to the described sanctions and to the entry of findings that he permitted his name to be used in stock promotion press releases and on websites three related public relations firms created. The findings stated that it was Padilla's understanding that the use of his name on these releases and websites was a form of advertising that might attract additional customers to do business with him. The

press releases the public relations firms published contained recommendations of specific securities to the public. The releases implied that Padilla, whom they identified by name and/or CRD number, made the recommendations, even though they elsewhere claimed that Padilla did not have any part in the creation of the reports or recommendations. Some of the releases stated that Padilla was a registered person the public relations firm employed when he was not. The findings also stated that according to Padilla, he advised the public relations firm that his CRD number should not be published along with his name. The websites continued to publish Padilla's name and/or CRD number thereafter, and Padilla should have known that this activity was occurring and taken further steps to insure that the improper activity ceased.

The suspension is in effect from October 1, 2012, through December 31, 2012. (**FINRA Case #2009020646701**)

Joseph Anthony Padilla (CRD #2203872, Registered Principal, San Marcos, California) and Andrea Marie Ritchie fka Andrea Marie Bruno (CRD #5060501, Registered Principal, San Marcos, California). Padilla was fined $147,701 and suspended from association with any FINRA member in any capacity for two years. Ritchie was fined $5,391 and suspended from association with any FINRA member in any capacity for one year. The NAC imposed the sanctions following appeal of an OHO decision. The sanctions were based on findings that Padilla and Ritchie engaged in the unlawful sale of unregistered securities. The findings stated that Padilla received approximately $53,312 in net commission from the sale of one stock. Padilla and Ritchie received approximately $72,188 jointly in net commissions from the sale of other unregistered stocks. The findings also stated that Padilla's and Ritchie's misconduct was egregious; they intentionally disregarded SEC registration requirements and did not make any effort to comply with the broker's exemption. The findings also included the Padilla and Ritchie failed to make a searching inquiry into whether the shares at issue were part of an unlawful distribution, and ignored red flags suggesting that their sales were part of an illegal distribution and were therefore ineligible for the broker's exemption. Instead, Padilla and Ritchie ignored established case law and relied on others to make the inquiry they were required to make. FINRA found the misconduct involved the sale of a significant volume of unregistered shares, amounting to hundreds of millions of shares of unregistered stock.

Padilla's suspension is in effect from October 1, 2012, through September 30, 2014. Ritchie's suspension is in effect from October 1, 2012, through October 1, 2013. (**FINRA Case #2006005786501**)

Barry Pittman (CRD #5492220, Registered Representative, Brightwaters, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for 60 days. The fine must be paid either immediately upon Pittman's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from

any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Pittman consented to the described sanctions and to the entry of findings that he attempted to settle a customer complaint without his member firm's knowledge or consent. The findings stated that the customer complained to Pittman about losses in the customer's account and Pittman did not bring this complaint to the attention of his firm supervisors. Pittman, in emails to the customer, agreed to compensate the customer for losses by paying a total of $65,000, with minimum monthly payments of $5,000. Pittman ultimately did not make any payments to the customer. The findings also stated that in his communications with the customer concerning his attempt to settle the complaint, Pittman utilized a personal, non-firm email address and sent at least five emails to the customer. The firm's procedures did not permit the use of personal email addresses for business-related communications and prevented his firm from discharging its obligation to review outgoing correspondence.

The suspension is in effect from September 17, 2012, through November 15, 2012. (**FINRA Case #2011030144801**)

Richard Michael Plant Jr. (CRD #2699464, Registered Representative, Severna Park, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for one month. In light of Plant's financial status, no monetary sanction was imposed. Without admitting or denying the findings, Plant consented to the described sanction and to the entry of findings that he failed to amend his Form U4 to disclose material facts regarding tax liens.

The suspension was in effect from October 1, 2012, through October 31, 2012. (**FINRA Case #2011026235901**)

Nicholas John Polito Jr. (CRD #2287074, Registered Representative, Dunmore, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Polito consented to the described sanction and to the entry of findings that he failed to appear for an on-the-record interview in connection with an investigation into the circumstances surrounding the termination of his employment at a member firm. The findings stated that Polito's customer sold shares of a company's common stock in her brokerage account with Polito's assistance. The proceeds from the sale were in excess of $200,000, and she later tendered a cashier's check to Polito for $200,000, which he subsequently deposited into an account for his benefit. The findings also stated that Polito stated that the customer provided the funds to him with a verbal agreement that he would pay the funds to her beneficiaries upon her death. Polito and the customer did not have a written loan agreement, and his firm's procedures did not permit him to borrow funds from the customer. The findings also included that Polito never sought the firm's permission to borrow funds from the customer. (**FINRA Case #2011029704101**)

Barton Sasson Rucker (CRD #2495886, Registered Representative, Mahopac, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Rucker consented to the described sanction and to the entry of findings that he failed to provide FINRA with requested documents and information, and failed to appear and testify in regard to FINRA investigating allegations that while with a member firm, he signed customers' signatures on insurance applications, policy loan request forms and money orders without the customers' knowledge or authorization. The findings stated that FINRA was advised that Rucker would neither provide a written response nor appear and testify as requested. (**FINRA Case #2012031695601**)

Glenn Andrew Schwarzkopf (CRD #2538703, Registered Representative, New York, New York) was barred from association with any FINRA member in any capacity and ordered to pay $242,756.17, plus interest, in restitution to a customer. The sanctions were based on findings that Schwarzkopf converted and made improper use of a customer's funds. The findings stated that Schwarzkopf persuaded the customer to withdraw funds from a VA so he could invest them elsewhere for the customer. Withdrawals were made from the customer's VA totaling $293,250, and were immediately deposited into a checking account the customer held with a bank affiliated with Schwarzkopf's member firm. On the heels of the deposits, a total of $242,756.17 was paid out of the customer's checking account as cashier's checks, directly or indirectly, to Schwarzkopf. A portion of those funds were made payable by cashier checks to Schwarzkopf's credit card account. The customer also wrote personal checks payable to Schwarzkopf totaling $103,058.94. The findings also stated that by sworn affidavit, the customer stated that he did not make these payments as a loan or a gift, but instead with the understanding that Schwarzkopf would invest the money on the customer's behalf. Contrary to that agreement, Schwarzkopf used the proceeds of the cashiers' checks to pay his own credit card bills and likewise failed to use the proceeds of the customer's personal checks to make investments for the customer. The findings also included that Schwarzkopf failed to respond to FINRA requests for information concerning, among other things, the funds remitted from the customer's checking account to Schwarzkopf. (**FINRA Case #2011027214701**)

Dustin Lee Settle (CRD #2873230, Registered Principal, Gig Harbor, Washington) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon Settle's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Settle consented to the described sanctions and to the entry of finding that he willfully failed to timely disclose material facts to his member firm and FINRA, which caused him to remain registered with his firm when he was statutorily disqualified. The findings stated that Settle failed to disclose other material facts.

The suspension is in effect from October 1, 2012, through March 31, 2014. (**FINRA Case #2011027346301**)

Heather Robin Fix Smith (CRD #2005202, Registered Representative, Richmond, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which she was fined $5,000 and suspended from association with any FINRA member in any capacity for 45 days. The fine must be paid either immediately upon Smith's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Smith consented to the described sanctions and to the entry of findings that she and her husband, both of whom were registered representatives at their member firm, entered into a loan agreement to borrow $64,822.73 from a firm customer. The findings stated that this loan refinanced only the amounts outstanding on loans that Smith's husband had obtained from the customer in previous years. Thereafter, Smith and her husband went to the customer's attorney's office and signed a confessed judgment promissory note agreeing to repay the customer $64,822.73, plus 15 percent annual interest. Smith and her husband also signed a deed of trust, pledging their home as collateral for this loan. The findings also stated that Smith did not disclose this loan to her firm, and the firm's written procedures expressly prohibited registered representatives from borrowing money from any firm customer. Subsequently, payments were made to the customer toward this loan prior to Smith's husband's death and Smith's resignation from her firm in lieu of termination. After discovering the loan, Smith's firm repaid the customer the outstanding principal and unpaid interest in their entirety. The firm also assumed the deed of trust on Smith's house.

The suspension was in effect from October 1, 2012, through November 14, 2012. (**FINRA Case #2011026895601**)

Tracy Morgan Spaeth (CRD #1999478, Registered Principal, Lubbock, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $50,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Spaeth's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Spaeth consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to, or receiving prior written approval from, his firm. The findings stated that Spaeth promoted to and assisted clients with purchasing limited partnership interests in a security, for a total investment of more than $8,000,000. The findings also stated that in connection with the private securities transaction, Spaeth provided a webinar to his clients regarding foreign exchange currency trading software. The webinar failed to provide a sound basis for evaluating the products and services being offered, failed to disclose the risks of the software and strategy being promoted, was exaggerated and misleading, and contained performance forecasts.

The suspension is in effect from September 17, 2012, through September 16, 2014. (**FINRA Case #2010024441601**)

Gary Lee Spooner (CRD #2394218, Registered Representative, Jackson, Mississippi) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $15,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Spooner's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Spooner consented to the described sanctions and to the entry of findings that he sold EIAs outside the scope of his employment relationship with his member firm. Total premiums paid for the EIAs were $4,971,680.27, and Spooner earned at least $260,250.95 in commissions. The findings stated that Spooner was aware his firm prohibited the sale of EIAs that the firm had not approved, and he intentionally concealed his conduct from his firm. The findings also stated that Spooner signed firm Rep Declarations to certify he was not engaged in such activity.

The suspension is in effect from September 17, 2012, through September 16, 2014. (**FINRA Case #2011027468301**)

Kami Renee Stayton (CRD #4412770, Associated Person, Carlinville, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Stayton consented to the described sanction and to the entry of findings that while employed as a non-registered branch office assistant at her member firm, she converted stock certificates from elderly customers and attempted to convert funds from another customer's brokerage account by issuing an unauthorized check. The findings stated that Stayton caused an elderly couple's 200 share certificate for common stock to be transferred into her friend's name. Shortly thereafter, Stayton opened a brokerage account in her friend's name at her firm, without her friend's authorization and consent, and sold the stock for approximately $14,790 in proceeds. Stayton then diverted almost the entire proceeds from the sale of the stock to herself. The firm repurchased the stock for the elderly customers. The findings also stated that Stayton converted two more stock certificates from the same elderly couple by causing the stock certificates valued at approximately $17,674, to be transferred into the same friend's name. Again, unbeknownst to the customer and her friend, Stayton deposited them into her friend's account for her own benefit. The firm returned the stock to the elderly couple's brokerage account before it was sold. The findings also included that Stayton attempted to convert $5,000 from a customer's brokerage account by issuing an unauthorized check from the account and mailing it to another friend's house. The firm placed a stop payment on the check before it was cashed. (**FINRA Case #2012032011801**)

Joseph Tarnofsky (CRD #4796189, Eagan, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for four months. Without admitting or denying the findings, Tarnofsky consented to the described sanction and to the entry of findings that he failed to timely amend his Form U4 to disclose civil judgments against him for failure to pay outstanding

credit card bills, and willfully failed to timely disclose them to his member firm or to FINRA. Tarnofsky's civil default judgments totaled approximately $86,642. The findings stated that Tarnofsky filed for bankruptcy and his debts were discharged.

The suspension is in effect from September 17, 2012, through January 16, 2013. (**FINRA Case #2011027178401**)

Dmitri Edward Tchatchanachvili (CRD #4672692, Registered Representative, Brooklyn, New York) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Tchatchanachvili failed to appear and provide testimony in connection with FINRA's investigation of the circumstances surrounding his conduct a member firm disclosed in his Form U5. (**FINRA Case #2010022770802**)

Bedford Forrest Tuten (CRD #5769214, Registered Representative, Knoxville, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Tuten's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Tuten consented to the described sanctions and to the entry of findings that he noticed that his clients' life insurance policy had lapsed, so he sent a reinstatement form to the clients, which they signed and returned to him. The following day, Tuten realized that the clients' individual disability insurance policies had also lapsed, and instead of sending them reinstatement forms for their signatures, he signed their names to the forms without their authorization and submitted the forms to the affiliate. The findings stated that in reviewing the clients' disability reinstatement documents, the affiliate identified inconsistencies in the signatures on the documents as compared with their signatures on file. The affiliate questioned Tuten, and he admitted he had signed their names on the forms without their authorization. The clients did confirm they wanted the policies reinstated.

The suspension is in effect from September 17, 2012, through December 16, 2012. (**FINRA Case #2012030927201**)

Arthur Yurkovskiy (CRD #5364042, Registered Representative, Beachwood, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 60 days. The fine must be paid either immediately upon Yurkovskiy's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Yurkovskiy consented to the described sanctions and to the entry of findings that he failed to file amendments to his Form U4 within 30 days after he was charged with felony robbery and convicted of misdemeanor theft.

The suspension is in effect from September 17, 2012, through November 15, 2012. (**FINRA Case #2011027985301**)

Individual Fined

Kabir Gangahar (CRD #4280828, Registered Representative, Omaha, Nebraska) submitted a Letter of Acceptance, Waiver and Consent in which he was censured and fined $10,000. Without admitting or denying the findings, Gangahar consented to the described sanctions and to the entry of findings that he exercised discretion in his member firm's customers' accounts. The findings stated that although each of the customers either expressly or implicitly authorized the use of discretion with regard to their accounts, Gangahar did not obtain prior written approval from any of the customers. In addition, the firm never approved any of the accounts as discretionary. (**FINRA Case #2010022938801**)

Individual Sanctioned

Robert Emmett Burns (CRD #1286211, Registered Principal, Aurora, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was censured, fined $5,000 and ordered to pay approximately $62,491 in restitution to customers who qualified for, but did not receive, the applicable UIT sales charge discounts during the relevant period. Without admitting or denying the findings, Burns consented to the described sanctions and to the entry of findings that he recommended that certain of his customers purchase UITs and only sold UITs one sponsor issued. The sponsor offered rollover and exchange discounts for investors who used the redemption or termination proceeds from one UIT to purchase another UIT, either from the same UIT series (rollover) or different UIT (exchange). To receive the discount, a customer had to use proceeds from a UIT transaction that occurred within the previous 30 days, entitling the investor to a 1 percent discount of the public offering price. In some cases, after a UIT redemption or sale, Burns placed the proceeds in a sponsor money market account and an investor made a new UIT purchase within 30 days. The findings stated that Burns was responsible for notifying the sponsor that the transaction involved rollover proceeds. In order for the customer to obtain the discount, Burns was required to enter the transactions on the sponsor computer system and click on a box indicating that the purchase was made with rollover proceeds. The findings also stated that in certain instances, Burns failed to provide customers with the maximum sales charge discounts on UIT purchases that were made within 30 days and were based on redemption proceeds from the money market accounts. For approximately 103 customer accounts involving 555 transactions, Burns effected transactions and collected approximately $62,491 in excess sales charges when he failed to ensure that customers obtained the reduced sales charges on UIT transactions. (**FINRA Case #2009016334601**)

Decision Issued

The Office of Hearing Officers (OHO) issued the following decision, which has been appealed to or called for review by the NAC as of September 30, 2012. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decision. Initial decisions where the time for appeal has not yet expired will be reported in future FINRA Disciplinary and Other Actions.

Jeremy David Hare (CRD #2593809, Registered Representative, Penn Valley, Pennsylvania) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Hare provided false information and testimony to FINRA during its investigation into alleged misconduct by Hare of churning and unauthorized trading. The Hearing Panel dismissed the allegation that Hare exercised discretion in a customer's account without written authorization.

The decision has been appealed to the NAC and the sanction is not in effect pending the appeal. (**FINRA Case #2008014015901**)

Complaints Filed

FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding these allegations in the complaint.

Tiffany Lea Chamberlain (CRD #4204733, Registered Principal, Tamarac, Florida) was named a respondent in a FINRA complaint alleging that her member firm's affiliate issued her a credit card to use for travel, customer entertainment expenses and other legitimate business related to the affiliate, and not for personal charges under any circumstances. Chamberlain signed an expense agreement accepting the terms. The complaint alleges that Chamberlain attested during her association with the firm and its affiliate that she had read the Code of Conduct, which stated that proper use of corporate assets must not be used for personal benefit. Chamberlain completed several annual affiliate business ethics training sessions, which required reviewing the Code of Conduct. The complaint also alleges that Chamberlain used her corporate-issued credit card numerous times to improperly withdraw approximately $40,342 in cash to pay for personal expenses, in violation of the affiliate's policies, notwithstanding the fact that she typically paid her credit card bill in full on or near the due date. The complaint further alleges that Chamberlain never obtained permission from her firm or its affiliate, and used the withdrawn funds in a manner she was not authorized or entitled to use them, and knowingly violated the affiliate's policies she had accepted and acknowledged as part of her association and as a condition of being issued the credit card. (**FINRA Case #2011026351101**)

Darrah Lee Gleason (CRD #2442684, Registered Representative, Old Greenwich, Connecticut) was named a respondent in a FINRA complaint alleging that she recommended an independent investment adviser to a customer of her member firm contrary to her firm's written policies and procedures that prohibited its employees from soliciting for or recommending independent investment advisers without the firm's approval. The firm offered its own platform of asset management and advisor services to its customers, which the firm pre-approved. Gleason neither sought nor received her firm's approval to recommend an investment adviser to a customer. The complaint alleges that while the customer had authorized the investment adviser to exercise discretion, she did not give Gleason written authorization to engage in discretionary trading. Over a two-year period, Gleason entered sell orders totaling approximately $3.1 million without the customer's authorization. The complaint also alleges that Gleason failed to disclose to her firm that she had referred an investment adviser to the customer and that discretion was being exercised in the customer's account at the investment adviser's direction. The complaint further alleges that Gleason did not disclose that she was seeking employment at the investment adviser while she was acting pursuant to the investment advisors' instructions, so her firm was unable to fully supervise her in her role as the customer's broker. (**FINRA Case #2011026395801**)

Milkie/Ferguson Investments, Inc. (CRD #17606, Dallas, Texas) and Daniel Edward Levin (CRD #707280, Registered Representative, Dallas, Texas) were named respondents in a FINRA complaint alleging that they made unwarranted and misleading statements and claims concerning investment products on radio shows, and made unbalanced statements on their website regarding life settlements. The complaint alleges that Levin discussed private placement securities offerings and promoted them as attractive alternative investments to his listeners during his radio shows. These offerings were unregistered securities offered pursuant to the exemptions offered by Rule 506 of Regulation D, and could not be sold through general solicitations and still maintain their exempt status. These statements were not made to customers with whom Levin (or the issuer) had a pre-existing and substantive relationship, but rather broadcast indiscriminately to the general public. After making the statements on the radio show, the firm and Levin sold the offerings to customers. Thus, Levin's sales were impermissible sales of unregistered securities. The complaint also alleges that the firm did not inform investors of the extensions to the closing deadline or the subsequent changes to a partnership agreement and the removal of the use of funds provision in a last subscription agreement, nor did the firm obtain reconfirmations from investors that each was affirmatively electing to continue his or her investment. Neither the firm nor the issuer returned to investors funds when the use of funds provision was removed from the limited partnership agreement and subscription agreement. Neither the firm nor the issuer entered into an escrow agreement providing for the handling of investors' funds pending the closing of the offering. The firm was paid a total of $57,091.50 in commissions for its participation in the issuer's offering.

The complaint further alleges that the firm and its principals failed to adequately supervise the sale of private placements, because they failed to conduct adequate due diligence and respond to red flags on private placements the firm offered to customers. In addition, the complaint alleges that the firm engaged in both private placement offerings (Regulation D offerings) and contingent offerings when its WSPs in place did not address either of these lines of business. In addition, no individual at the firm was designated as responsible for the supervision of this area. Moreover, the complaint alleges that the firm's WSPs failed to address the regulatory requirements related to private placements and Regulation D, the suitability of recommendations for investments in private placements, and provisions regarding the sale of contingency offerings. Furthermore, the complaint alleges that a firm principal's review and supervision of the radio shows and the website was inadequate to prevent both the violative advertising made on the shows and the general solicitation to the public that resulted in the firm's sale of unregistered securities. (**FINRA Case #2009016271801**)

Lawrence Nicholas Passaretti (CRD #1191641, Registered Principal, East Setauket, New York) was named a respondent in a FINRA complaint alleging that he caused to be prepared and disseminated misleading investment portfolio statements to customers. The complaint alleges that all the portfolio summaries contained Passaretti's representation that the statements were based upon "sources which we believe to be reliable." The representation was material, as there was a substantial likelihood that a reasonable investor would consider the representation important in making an investment decision concerning the investor's account, including whether to maintain the holdings in the account. Passaretti acted recklessly, or at a minimum, negligently. The complaint also alleges that without performing any due diligence, Passaretti lacked a reasonable basis to assert that he believed the source of the information regarding the investment in a limited partnership was reliable. In making his representation concerning the reliability of the source of account information as to the investment, Passaretti omitted material facts. Passaretti had reason, based on various warning signs, to doubt the source's reliability and trustworthiness. The complaint further alleges that Passaretti's representation bolstered the credibility of the investment information disseminated, and may have permitted an individual to continue his fraudulent scheme for years by implying that customer funds were in a legitimate investment vehicle. The fund's general partner later pled guilty to securities fraud and conducting a Ponzi scheme in connection with the fund. (**FINRA Case #2009017529101**)

Peter Raymond Quartararo (CRD #3079675, Registered Representative, Oyster Bay, New York) was named a respondent in a FINRA complaint alleging that he approached acquaintances with a tip on a penny stock to solicit their investment in the stock. Quartararo received $10,000 from one of the individuals based on his representations that the penny stock would yield a return of $120,000 within two months. Quartararo requested the individuals complete new customer account forms, which they completed and signed, and he also provided a business card on which the firm's name was misspelled

and was not in the firm's approved format. The complaint alleges that Quartararo did not open an account for them and did not use their funds to purchase the penny stock. In response to a customer's request for account documents and transaction confirmations, Quartararo stated that he could not provide any documentation because he learned of the investment opportunity through insider information and therefore, they both could get into trouble. The individual contacted the firm, which told her that Quartararo had never opened an account and had not purchased the securities for her through the firm. The complaint also alleges that in an attempt to conceal his misconduct, Quartararo met with the individuals at an office building where his former member firm had a branch office, although he had never worked out of that branch office. One of the individuals continued to contact Quartararo to return her money and he delivered checks totaling $10,000, but the checks did not clear. The complaint further alleges that Quartararo failed to respond to FINRA requests for information, documents and to appear for testimony. (**FINRA Case #2012031451001**)

Timothy Burke Ruggiero (CRD #2119642, Registered Principal, Plantation, Florida) and Peter Shawn Chung (CRD #1700865, Registered Representative, North Miami, Florida) were named respondents in a FINRA complaint alleging that they assisted private companies in going public by reverse mortgages with publicly held shell corporations. During the period of a private investment in public equity (PIPE) offering for over-the-counter (OTC) bulletin board securities, Ruggiero and Chung entered securities purchases and limit orders that manipulated the price of both stocks. The complaint alleges that because Ruggiero and Chung controlled the member firm that was the placement agent for the PIPE offering, they stood to benefit from placement agent fees, stock and warrants if the PIPE was successful. Ruggiero's and Chung's orders and purchases artificially generated increases in the inside bid price for a stock, which sent false or misleading signals to potential investors by creating the illusion that the market placed a higher value on the stock, misleading investors into purchasing shares via the PIPE offering. The complaint also alleges that both Ruggiero and Chung were actively engaged in and responsible for the submission of these orders. As the firm's CEO, Ruggiero was responsible for the firm's role in processing and submitting these orders. The firm's limit orders to purchase shares of the security artificially generated increases in the inside bid price for shares. These limit orders sent false or misleading information to the marketplace because they raised the inside bid price at which shares could be purchased and made it appear that the market placed a higher value on the shares and that it would be more attractive to purchase shares via the PIPE offering.

The complaint further alleges that during the period when distribution participants in a securities offering are prohibited from trading in that security, Ruggiero and Chung violated SEC Regulation M by soliciting limit orders and processing stock purchases firm personnel solicited for two PIPE offerings. In addition, the complaint alleges that Ruggiero failed to make and preserve records of electronic communications relating to his firm's business and to document his review of email correspondence. Ruggiero persistently failed

to assure his firm installed and employed email systems that captured and preserved firm communications. Ruggiero failed to ensure that the firm employed a non-erasable and non-rewritable format to retain email correspondence. Moreover, the firm's written procedures on electronic correspondence required prior approval for electronic messages, review of incoming email before delivery, and a principal's review and written endorsement of all correspondence of associated persons pertaining to securities transactions. Ruggiero did not follow these procedures; he only performed spot-check reviews and did not maintain documentation of these reviews, causing his firm to create and maintain inaccurate books and records. Furthermore, the complaint alleges that Ruggiero failed to supervise trading at the firm; he failed to appropriately review and approve transactions and trading activities to prevent the firm from manipulating the price of securities for which the firm was conducting offerings, prevent the firm and its registered representatives from improperly soliciting and purchasing limit orders during restricted offering periods and failed to supervise electronic communications at the firm. The complaint also alleges that the firm filed a Form U4 to reflect a retired senior registered options principal (SROP)'s return to work at the firm as a financial and operations principal (FINOP) and on numerous occasions, Ruggiero forged the individual's initials to options order tickets to evidence his supposed review of these records, thereby creating records that gave the false appearance that they had been duly reviewed by qualified personnel in violation of his firm's obligation under Section 17(a) of the Securities Exchange Act and SEC Rule 17a-3. (**FINRA Case #2008011675301**)

Edward Eugene Williams (CRD #2184339, Registered Representative, Loganville, Georgia) was named a respondent in a FINRA complaint alleging that he misappropriated a total of $2,548.83 from his adult sons' IRAs by utilizing a mutual fund's website to electronically request early distribution checks made out to the sons, received the checks, forged their signatures on the checks and endorsed most of them for deposit in his own bank account, without their knowledge or consent. (**FINRA Case #2011028547502**)

Complaint Dismissed

FINRA issued the following complaint, which represented FINRA's initiation of a formal proceeding. The findings as to the allegations were not made and the Hearing Officer has subsequently ordered that the complaint be dismissed.

Ronald Lenard Gilbert (CRD #2994005)
Chicago, Illinois
FINRA Case #2011028237502

Firms Cancelled for Failure to Pay Outstanding Fees Pursuant to FINRA Rule 9553

College Rocket aka Oneshare Investments, LLC (CRD #144049)
San Francisco, California
(September 10, 2012)

EZ Stocks, Inc. (CRD #103866)
Brookfield, Wisconsin
(September 21, 2012)

Marquis Holdings, Inc. (CRD #123621)
New York, New York
(September 10, 2012)

Firms Suspended for Failure to Pay Annual Assessment Fees Pursuant to FINRA Rule 9553

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Grigsby & Associates, Inc. (CRD #13364)
San Francisco, California
(September 20, 2012 – September 28, 2012)

HLM Securities, Inc. (CRD #133216)
Chicago, Illinois
(September 20, 2012)

Marquis Financial Services, Inc. aka Mutual Fund Services of Indiana Inc. (CRD #20733)
Tarzana, California
(September 20, 2012 – September 28, 2012)

Mutual Fund Specialists, Inc. (CRD #35739)
Winter Park, Florida
(September 20, 2012 – October 16, 2012)

Nolan Securities Corp. (CRD #27984)
Monterey, Massachusetts
(September 20, 2012 – September 27, 2012)

Northgate Securities Inc. (CRD #21188)
Houston, Texas
(September 20, 2012 – October 2, 2012)

PSG Executions, Inc. (CRD #119564)
Fort Lee, New Jersey
(September 20, 2012)

Rainmakers Partners, LLC (CRD #148443)
San Francisco, California
(September 20, 2012 – October 10, 2012)

The Reid Group LLC (CRD #130448)
New York, New York
(September 20, 2012 – September 28, 2012)

R.W. Towt & Associates (CRD #128837)
San Diego, California
(September 20, 2012)

Viewpoint Securities, LLC (CRD #104226)
San Diego, California
(September 20, 2012)

Firm Suspended for Failure to Pay Arbitration Fees Pursuant to FINRA Rule 9553

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Max International Broker/Dealer Corp. (CRD #46039)
New York, New York
(July 25, 2012)
FINRA Arbitration Case #10-02932

Individuals Barred for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(h)

(If the bar has been vacated, the date follows the bar date.)

Jon Joseph Bauman (CRD #5007841)
Phoenix, Arizona
(September 4, 2012)
FINRA Case #2012031088101

Steven Paul Caruso (CRD #2163934)
Morganville, New Jersey
(September 4, 2012)
FINRA Case #2012031249501

Drew David Chalmers (CRD #1918636)
Lutz, Florida
(September 11, 2012)
FINRA Case #2011026635601

Johnson Wingkeung Choi (CRD #1000182)
Honolulu, Hawaii
(September 4, 2012)
FINRA Case #2012031069301

Frank Arthur Dittrick (CRD #3104276)
North Palm Beach, Florida
(September 4, 2012)
FINRA Case #2010024473201

Beth Anne Gutwin (CRD #3024181)
Williston, Vermont
(September 4, 2012)
FINRA Case #2012031279501

Daniel Alan Holda (CRD #5295707)
Geneva, Illinois
(September 4, 2012)
FINRA Case #2011030501901

Bethel Loree Hutchinson (CRD #4530660)
Arvada, California
(September 4, 2012)
FINRA Case #2012031656001

James Justin Kleinkopf (CRD #1818964)
Sarasota, Florida
(September 24, 2012)
FINRA Case #2011026535801

Caryl Trewyn Lenahan (CRD #857808)
Sarasota, Florida
(September 24, 2012)
FINRA Case #2011029757601

James E. Malone (CRD #5630929)
Dania Beach, Florida
(September 24, 2012)
FINRA Case #2011027409701

Andrew William Myers (CRD #5358124)
Indianapolis, Indiana
(September 4, 2012)
FINRA Case #2011027594701

Joseph Anthony Nemec (CRD #4595986)
Cranberry Township, Pennsylvania
(September 4, 2012)
FINRA Case #2011030795501

Jeffery Rachlin (CRD #823547)
Pleasantville, New York
(September 4, 2012)
FINRA Case #2011030254501

Kimberly Barker Rodgers (CRD #4807493)
Midlothian, Virginia
(September 4, 2012)
FINRA Case #2011030684101

Colby Younger Ruth (CRD #5093489)
Edmond, Oklahoma
(September 17, 2012)
FINRA Case #2011030656001

Scott M. Schmidtlein (CRD #5839054)
Topeka, Kansas
(September 4, 2012)
FINRA Case #2012031074901

Charles Ellis Williams (CRD #2091030)
St. Petersburg, Florida
(September 4, 2012)
FINRA Case #2012031743001

Individuals Revoked for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320

(If the revocation has been rescinded, the date follows the revocation date.)

Howard Braff (CRD #1161062)
Holtsville, New York
(September 27, 2012)
FINRA Case #2007011937001

Eric Anthony Foster (CRD #3267556)
Suffern, New York
(September 28, 2012)
FINRA Case #2008015382001

Individuals Suspended for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(d)

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Brian Joseph Allen Sr. (CRD #2171324)
Lansdale, Pennsylvania
(September 10, 2012)
FINRA Case #2012032728801

Aaron Dean Anderson (CRD #5361159)
Plover, Wisconsin
(September 21, 2012)
FINRA Case #2012032329101

Matthew D. Caquelin (CRD #5603991)
Minneapolis, Minnesota
(September 21, 2012)
FINRA Case #2012032489601

David John Dambra (CRD #4571536)
Melville, New York
(September 10, 2012)
FINRA Case #2011028404401

Tahirou Ardell Dioury (CRD #4578553)
Minneapolis, Minnesota
(September 21, 2012)
FINRA Case #2012031693901

Kirsten Roxanne Fellows (CRD #4455495)
Stone Mountain, Georgia
(September 10, 2012)
FINRA Case #2011030318801

Daniel Ross Gold aka Daniel Ross Heidman (CRD #1876567)
Cumberland, Rhode Island
(September 24, 2012)
FINRA Case #2012032020601

Isaac Charles Grossman (CRD #2905125)
Parkland, Florida
(September 10, 2012)
FINRA Cases
#2011029554301/20110292147

Monique Michelle Harris (CRD #5790707)
Evergreen Park, Illinois
(September 10, 2012 – October 5, 2012)
FINRA Case #2012031978201

Ryan Keith Harrison (CRD #2511708)
Melbourne, Florida
(September 10, 2012)
FINRA Case #2011030113301

Fred Enrique O'Brien (CRD #4719355)
Burlington, Connecticut
(September 17, 2012)
FINRA Case #2011030663901

Bojlur Rahman aka Rahul Rahman (CRD #5505788)
Woodside, New York
(September 24, 2012)
FINRA Case #2012032455601

Dipak Mafatlal Shah (CRD #1146023)
Longwood, Florida
(September 4, 2012)
FINRA Case #2010025392701

Ryan Ward Skidmore (CRD #4630888)
Miami, Florida
(September 10, 2012)
FINRA Case #2012031855401

Horace Gandy Stubblefield III (CRD #4328570)
Lufkin, Texas
(September 10, 2012)
FINRA Case #2011029252701

Elizabeth Ann Tobias (CRD #2420962)
Parsippany, New Jersey
(September 10, 2012)
FINRA Case #2012032480501

Kurtis Sammie Van Addison (CRD #5572833)
Secaucus, New Jersey
(September 10, 2012)
FINRA Case #2012032847201

Todd Mitchell Walker (CRD #5493469)
Williamsburg, Virginia
(September 4, 2012)
FINRA Case #2011030342601

James R. Whitehead (CRD #4941647)
New York, New York
(September 4, 2012)
FINRA Case #2011072063

Individual Suspended for Failure to Pay Arbitration Fees Pursuant to FINRA Rule 9553

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Timothy Burke Ruggiero (CRD #2119642)
Plantation, Florida
(September 17, 2012)
FINRA Arbitration Case #08-04465

Individuals Suspended for Failure to Comply with an Arbitration Award or Settlement Agreement Pursuant to FINRA Rule 9554

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Stephan Todd Day (CRD #2694751)
Winston-Salem, North Carolina
(March 5, 2009 – September 6, 2012)
FINRA Arbitration Case #07-02484

Harry Friedman (CRD #2548017)
Woodmere, New York
(September 7, 2012)
FINRA Arbitration Case #10-04410

Dale Keith Hall (CRD #706704)
Greeley, Colorado
(September 7, 2012)
FINRA Arbitration Case #10-02249

Jason Sean Harrison (CRD #2628373)
Pearland, Texas
(September 7, 2012 – November 12, 2012)
FINRA Arbitration Case #10-00556

Kathleen Louise Heshelow (CRD #4909103)
Seminole, Florida
(September 7, 2012)
FINRA Arbitration Case #10-02249

John Hagler Hopkins (CRD #4758571)
Lexington, Kentucky
(September 7, 2012)
FINRA Arbitration Case #10-02668

Lee Allen Jenkins Jr. (CRD #1380857)
Roswell, Georgia
(September 7, 2012)
FINRA Arbitration Case #10-03661

Elizabeth Anne Jones (CRD #3190846)
Red Hook, New York
(September 7, 2012)
FINRA Arbitration Case #20120324644/
ARB120027/06-00492

Lawrence William Lambert Sr.
(CRD #301059)
Charlottesville, Virginia
(September 7, 2012)
FINRA Arbitration Case #10-02249

James Scott McKee (CRD #3222516)
Eugene, Oregon
(September 7, 2012)
FINRA Arbitration Case #11-04314

Richard Douglas Pollan (CRD #4403612)
Huntington, New York
(September 5, 2012)
FINRA Arbitration Case #11-01218

Sean Donald Premock (CRD #3175558)
Fort Lauderdale, Florida
(September 7, 2012)
FINRA Arbitration Case #11-03311

Kent Waldene Pridey (CRD #1223841)
Estes Park, Colorado
(September 7, 2012)
FINRA Arbitration Case #10-02249

Susan Marcia Simon (CRD #4218669)
Red Hook, New York
(September 7, 2012)
FINRA Arbitration Case #20120324644/
ARB120027/06-00492

Robert Henri Soucy (CRD #4573787)
Las Vegas, Nevada
(September 7, 2012)
FINRA Arbitration Case #10-04757

Robert Wesley Stout (CRD #1356443)
Arlington, Texas
(September 17, 2012)
FINRA Arbitration Case #11-04158

Wendy Collins Warren (CRD #2547153)
Pueblo, Colorado
(September 17, 2012)
FINRA Arbitration Case #11-03947

Stephen Wittels (CRD #2482677)
Santa Monica, California
(September 17, 2012)
FINRA Arbitration Case #11-03533

FINRA Fines Merrill Lynch $500,000 for Failing to File Required Reports

The Financial Industry Regulatory Authority (FINRA) announced that it has censured and fined Merrill Lynch, Pierce, Fenner & Smith Inc. $500,000 for supervisory failures that allowed widespread deficiencies in filing hundreds of required reports, including customer complaints, arbitration claims, and related U4 and U5 filings, and for its failure to file the required reports. The violations, which went undetected for several years, may have hampered investors' ability to assess the background of certain brokers via **BrokerCheck**, FINRA's public disclosure program. They also may have compromised firms' ability to conduct background checks when making hiring decisions, reduced the ability of securities regulators to review brokers' transfer applications and hindered FINRA from promptly investigating certain disclosure items.

Brad Bennett, FINRA's Executive Vice President and Chief of Enforcement, said, "Firms that fail to file important regulatory information in a timely manner can compromise the integrity of CRD and BrokerCheck. In this instance, Merrill Lynch failed to report critical information that regulators and investors rely upon. Without timely and accurate reporting by firms, investors only have part of the picture when researching and making decisions about their brokers."

Under FINRA rules, when a securities firm hires a broker, it must ensure that information on the broker's registration application (Form U4) is updated and kept current on the Central Registration Depository (CRD) system. The firm is required to update that information whenever reportable events occur, including regulatory actions against the broker, specific customer complaints, settlements involving the broker, and felony charges and convictions. Normally, those updates must be filed within 30 days of the event. Firms also are required to notify FINRA within 30 days of the termination of a registered person's association with a member firm by filing a notice known as Form U5. Firms also must notify FINRA within 30 days of learning that information disclosed on a Form U5 filed for a broker has become inaccurate or is incomplete.

In the Merrill Lynch case, FINRA found that:

- From 2007 to 2011, Merrill Lynch failed to file or timely file more than 650 required reports, including customer complaints and customer settlements.
    - From 2005 to 2011, Merrill Lynch failed to report or timely report customer complaints, and related Forms U4 and Forms U5 between 23 percent and 63 percent of the time.
- Merrill Lynch failed to adequately train and supervise personnel responsible for customer complaint tracking and reporting, and did not have systems in place to identify the high volume of customer complaints that were not being acknowledged or reported as required. As a result, Merrill Lynch failed to acknowledge nearly 300 customer complaints in a timely manner.

- Merrill Lynch failed to file or timely file approximately 300 non-NASD/FINRA arbitrations and criminal and civil complaints that it received for approximately three years.
    - From July 2007 to June 2009, and again from October 2009 to February 2010, Merrill Lynch failed to make these filings 100 percent of the time.
    - From 2007 through 2010, Merrill Lynch failed to file related Forms U4 and U5 between 28 percent and 79 percent of the time.

In concluding **the settlement**, Merrill neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

FINRA Joins Exchanges and the SEC in Fining Hold Brothers More Than $5.9 Million for Manipulative Trading, Anti-Money Laundering, and Other Violations

The Financial Industry Regulatory Authority (FINRA), along with NYSE Arca, Inc., The NASDAQ Stock Market LLC, NASDAQ OMX BX, Inc., and BATS Exchange, Inc. announced that they have censured and fined Hold Brothers On-Line Investment Services, LLC $3.4 million for manipulative trading activities, anti-money laundering (AML), and other violations. In a related case, the Securities and Exchange Commission (SEC) today announced a settlement with Hold Brothers, fining the firm more than $2.5 million.

Thomas Gira, FINRA Executive Vice President and Head of Market Regulation, said, "This is another example of a U.S.-based broker-dealer allowing a significant volume of overseas day trading to pass through its systems on a regular basis without devoting the appropriate level of resources and personnel to ensure this business was properly supervised. Hold Brothers was actively involved in running the operations of these foreign entities, yet turned a blind eye to their manipulative trading activities and compliance with anti-money laundering requirements. This case also serves to underscore FINRA's and the exchanges' collective efforts to root out and pursue cross-market manipulative trading activities."

Hold Brothers, headquartered in New York, is a self-clearing broker-dealer that primarily operates as a day-trading firm by facilitating direct market access to customers and to its proprietary traders. Between Jan. 1, 2009 through Dec. 31, 2011, Hold Brothers' largest account, Demostrate LLC and an affiliate, Trade Alpha, were day-trading firms wholly owned and funded by Hold Brothers' principals. Demostrate and Trade Alpha engaged traders and trading groups in various foreign countries, primarily China, to trade its capital. FINRA found that Demostrate and Trade Alpha were controlled by, or under common control with, Hold Brothers.

Demostrate and Trade Alpha used sponsored access relationships with Hold Brothers to connect to U.S. securities exchanges to manipulate the prices of multiple securities. FINRA uncovered hundreds of instances where the foreign day traders used spoofing and layering activities to induce the trading algorithms of unwitting market participants to provide the traders with favorable execution pricing that would not otherwise have been available to them in the absence of the day traders' illicit spoofing and layering activities.

Generally, spoofing is a form of market manipulation which involves placing certain non-*bona fide* order(s), usually inside the existing National Best Bid or Offer (NBBO), with the intention of triggering another market participant(s) to join or improve the NBBO, followed by canceling the non-*bona fide* order, and entering an order on the opposite side of the market. Layering involves the placement of multiple, non-*bona fide*, limit orders on one side of the market at various price levels at or away from the NBBO to create the appearance of a change in the levels of supply and demand, thereby artificially moving the price of the security. An order is then executed on the opposite side of the market at the artificially created price, and the non-*bona fide* orders are immediately canceled. FINRA also found thousands of instances where Demostrate or Trade Alpha traders engaged in pre-arranged trades and wash sales.

Hold Brothers also failed to establish and maintain a supervisory system and written procedures that were reasonably designed to supervise the firm's trading activities. FINRA found that numerous "red flags" indicative of suspicious trading were not detected or investigated. This included broad categories of significant suspicious trading, involving patterns of spoofing, layering, pre-arranged trading, and wash trading.

In addition, FINRA found that Hold Brothers' AML policies, procedures, and internal controls were inadequate and failed to detect suspicious transactions and did not trigger the reporting of the suspicious transactions as required by the Bank Secrecy Act. Hold Brothers also failed to tailor its AML program to its business, as required. Between 2009 and 2011, the firm averaged approximately 400,000 trades per day, approximately 90 percent of which were placed through the Demostrate account. Despite this high volume of trading, Hold Brothers' AML procedures only provided for manual monitoring to detect suspicious trading activity in the accounts.

There were also numerous instances when Hold Brothers' compliance department determined that Trade Alpha or Demostrate traders had engaged in suspicious or manipulative trading. These instances of suspicious activity were not escalated to the firm's AML compliance officer and the firm never considered filing a suspicious activity report relating to the activity.

As part of **the disciplinary action**, FINRA and the exchanges also ordered Hold Brothers to retain an independent consultant to conduct a comprehensive review of the adequacy of the firm's policies, systems and procedures, and training related to AML, trading, day trading, compliance with SEC Rule 15c3-5, and the use of foreign traders.

In resolving these matters against Hold Brothers, FINRA and the exchanges took into consideration that the SEC's action included bars for three individual senior managers associated with Hold Brothers.

In concluding this settlement, Hold Brothers neither admitted nor denied the charges, but consented to the entry of FINRA's findings.